

Management RECORD

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- Top Executive Pension Benefits
- Maternity Leaves of Absence
- Personnel for Foreign Operations
- Figuring the Cost of Strikes



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• In the Record •

The Trend of Top Executive Pension Benefits

In order to attract and retain managers of proven ability, business has found that high salaries are not enough. Personal taxes on high incomes are so great that top executives often attempt to build up their estates by going into business for themselves. Industry's effort to solve this problem has produced a profusion of institutionalized forms designed to retain the monetary incentive. One of the most popular is the deferred compensation arrangement.

It is therefore not surprising that a Conference Board survey reveals that executive pensions have risen substantially in recent years both in absolute amounts and as a per cent of compensation. The article beginning on page 222 examines the absolute and relative growth of pensions for the three highest-paid officers in five industry groups, with special attention focused on manufacturing.

Maternity Leaves of Absence

Much has happened since Robert Browning wrote, "Womanliness means only motherhood." Women have taken on numerous and varied extracurricular tasks. They now comprise a third of the labor force, and they are found in almost every occupational classification. However, no one has yet discovered a way of relieving them of the responsibility which the poet defined as the quintessence of their nature.

Hence, industry, in an effort to preserve continuity of employment for millions of vital women employees, has devised detailed procedures for maternity leaves of absence. The article on page 232 discusses the practices governing leaves in 112 companies.

Recruiting, Selecting, and Developing Personnel for Foreign Operations

As one executive puts it, a company starts off with an export department, which becomes surprisingly successful; then a foreign sales department is organized. Next comes an overseas division, and, ultimately, an international subsidiary. This familiar pattern in American business, of course, requires manpower. And the efficient staffing of a foreign operation involves special considerations that a domestic installation does not have to deal with. For instance, what percentage of the work force should be United States nationals specially trained for their overseas assignment? How large a percentage of the personnel should be nationals

of the country in which the plant is located? Are there selection procedures that will avoid the costly mistake of training a man for foreign service and transporting him and his family to a foreign country only to find that he, or his wife, is not fitted to the culture and living conditions of that country.

These and many other problems of staffing foreign operations are discussed in terms of three companies' overseas programs in the Round Table starting on page 244.

The Value of Five Screening Techniques

Webster defines a screen as a "partition or curtain that cuts off inconvenience or injury." "Inconvenience" and "injury" are certainly apt terms, since a Conference Board study of a few years ago reported that thirty million job changes cost industry approximately ten billion dollars annually. Part of this waste might have been eliminated if greater care had been exercised in the initial selection process.

Several techniques for screening applicants are almost universally used. Yet some are misapplied and their value improperly assessed. The article on page 228 discusses five key techniques employed in 501 companies, showing the appropriate use of each method and its prevalence among the surveyed firms.

Strike Costs; Food Purchasing Power

With the steel strike dominating the national scene today, much is heard about its effect on the country's economy and what it will cost the nation as a whole. On a smaller scale, how many companies know what a strike actually costs them? Do they attempt to estimate such costs, and, if so, what do they include in their computations? In the article starting on page 235, the results of a survey of fifty companies that make special records of strike costs are reported.

How many minutes must an "average" worker labor in order to earn the money to purchase a simple meal for himself, his wife and two children? The answer to that question seems to be that it all depends on where the worker lives. According to wage and price data for twenty cities, he may have to work as long as an hour and forty-five minutes or as little as fifty-nine minutes to get the same meal. In the article starting on page 240 the level of earnings in twenty cities and the prices of selected food items are analyzed to show intercity differences in food purchasing power.

The Trend of Top Executive Pension Benefits

Pensions for the three highest-paid officers in a company are estimated in terms of 1957 and 1949 benefits. Manufacturing industries are highlighted here

IN MANY RESPECTS, the year 1949 marks the beginning of the current national concern with retirement income in general and the benefits derived from private pensions in particular. In that year, the Supreme Court decided that private pensions were subject to collective bargaining, and the union movement decided to make them an issue in bargaining.

Since then, of course, private pension plans for hourly and salaried employees alike have been subjected to continuous and extensive analysis. And as most companies with a pension plan covering salaried employees include most or all of their top executives in the plan, pension benefits for top executives have received their share of attention, too. However, surprisingly little analysis has been made of a continuous, easily accessible source of data on a highly selected group of top executives: the pension estimates for the three highest-paid officers as reported in the typical proxy statement.

This article analyzes these estimates as reported in 1949 by 446 firms and in 1957 by 760 companies. The median dollar benefit and the proportion of current compensation that this benefit represents are highlighted for twelve manufacturing groups and four major nonmanufacturing industries.

ABOUT THE DATA

Except for the insurance underwriters, all of the data in the article come from companies listed on the New York Stock Exchange and, in 1957, on the American Stock Exchange.

In 1957, data on at least one of the top three executives were available from 735 listed companies in five major industry groups: manufacturing (515); gas and electric utilities (ninety); transportation (fifty-one); retail trade (thirty-seven); mining (twenty-one); and finance, other than banks and insurance (twenty-one).¹ These 735 companies represent about 60% of all listed companies in these industries. However, nearly 80% of listed companies with sales of \$50 million to \$1 billion are included in the 1957 sample and almost 65% of those with sales over \$1 billion. Only half of the companies with \$10 million to \$50 million and only 13% of those with sales under \$10 million are included.

¹ This excludes the twenty-five insurance underwriters that provided data for 1957.

Table 1: Sales Volume of Companies in 1949 and 1957¹

Annual Sales ²	1957 Companies		1949 Companies	
	No.	%	No.	%
Over \$1 billion	29	4	9	2
500-999 million	45	6	20	4
400-499 million	18	2	8	2
300-399 million	35	5	16	4
200-299 million	63	8	29	7
100-199 million	148	19	58	13
50- 99 million	177	23	77	17
10- 49 million	222	29	190	43
Under 10 million	23	3	39	9
Total³	760	100	446	100

¹ Companies that provided data on at least one of the top three executives.

² Operating revenue and premium income for some companies.

³ Includes insurance underwriters.

Data for 1949 in the selected industries were obtained from a Conference Board study done at that time.¹ Pension information on at least one of the top three executives was available from 446 companies in the major industry groups: manufacturing (270); gas and electric utilities (fifty-two); transportation (nineteen); retail trade (forty-five); mining (seventeen); finance, other than banks and insurance (fourteen); and insurance (twenty-nine).

As in 1957, the 1949 study drew companies from those listed on the New York Stock Exchange (except the insurance underwriters). Although the 1949 companies cannot be compared with the total of listed companies at that time, they undoubtedly provide about the same representation as in 1957, in the sense that the smaller companies were not well represented. Of course, the sample in both years contains many of the same companies, although relatively fewer companies reported pension data in 1949 than in 1957. The companies in the 1949 and 1957 studies are shown in Table 1, according to size as measured by sales volume.²

The Estimated Pension

The estimate of the amount of pension that an executive will receive at sixty-five is the one typically

¹ "Compensation and Pensions for Executives," *Studies in Personnel Policy*, No. 111, 1950.

² The relatively small sales volume of the 1949 sample is not due to any difference in the type of company selected but rather to the fact that sales volume generally was not as high as it is today.

found in a proxy statement. Invariably this estimate is based on two assumptions: (1) that the compensation on which the pension is based will remain the same for the executive until he reaches age sixty-five; and (2) that no revisions will be made in the pension plan prior to retirement. In these two respects, most estimates treat all executives alike. Hence, intercompany differences in pensions are essentially based on the following factors: (1) the different lengths of service of each executive at the time he reaches sixty-five; (2) differences in compensation; and (3) differences in the pension plan formula itself.

It might be noted, too, that in some cases the estimated pension may not come from a formal, funded pension plan. The pension may be deferred compensation as defined in an employment agreement. In a few companies, there are other sources of retirement income that are not included in the pension estimate—notably, deferred profit-sharing plans and employee thrift plans.

One other point about the data is worth noting: in computing the pension benefit as a per cent of compensation, the *total* compensation reported, not just the salary of the executive, is used as the denominator. Thus, total compensation includes any current incentive or bonus payments reported.

THE SIZE OF EXECUTIVE PENSIONS

In 1957, data from the surveyed companies show that, on the average, the highest-paid executive would receive a pension of \$20,000 per year at sixty-five. The median benefit for the second-highest-paid executive was \$16,000 and, for the third officer, \$14,000 per year. In 1949, the respective median pension figures were \$11,000 for the highest-paid and \$9,000 for the second and third executives (see Table 2).

Thus, the pension estimate for 1957 represents an 82% increase over 1949 for the highest-paid executive, a 78% increase for the second highest paid, and a 56% increase for the third highest paid. As a result, the differences in the median benefits of the three executives have widened somewhat: the pension for the highest paid now averages \$4,000 more than that of the second officer, while in 1949 it was only \$2,000 more. The second highest paid now averages \$2,000 more than the third highest paid, while in 1949 both officers could count on about the same pension.

Industry Variations

Because the two stock exchanges from which the two samples were drawn are substantially composed of manufacturing firms, the above general picture naturally reflects the pattern in manufacturing.

However, Table 3 indicates that trends in four non-manufacturing industries where the sample was large enough to merit analysis are similar to those in manufacturing.¹

In each industry the highest-paid executive can expect a larger pension than the second man, who, in turn, receives a larger benefit than the third man. In transportation and the utilities, the pension of the top man is higher than that of the second man by \$8,000 and \$6,000, respectively. In all five industries, the difference between the second and third man is \$4,000 or less.

Among the manufacturers, utilities, and insurance underwriters, the pension of the highest-paid executive has increased proportionately more than that of the second and third man, but not greatly so. Among the transportation firms, however, the proportional in-

¹ Mining companies and financial companies are excluded because less than twenty companies provided information in each year.

Table 2: Estimated Pension at Sixty-five of Three Highest-Paid Executives in 1957 and 1949

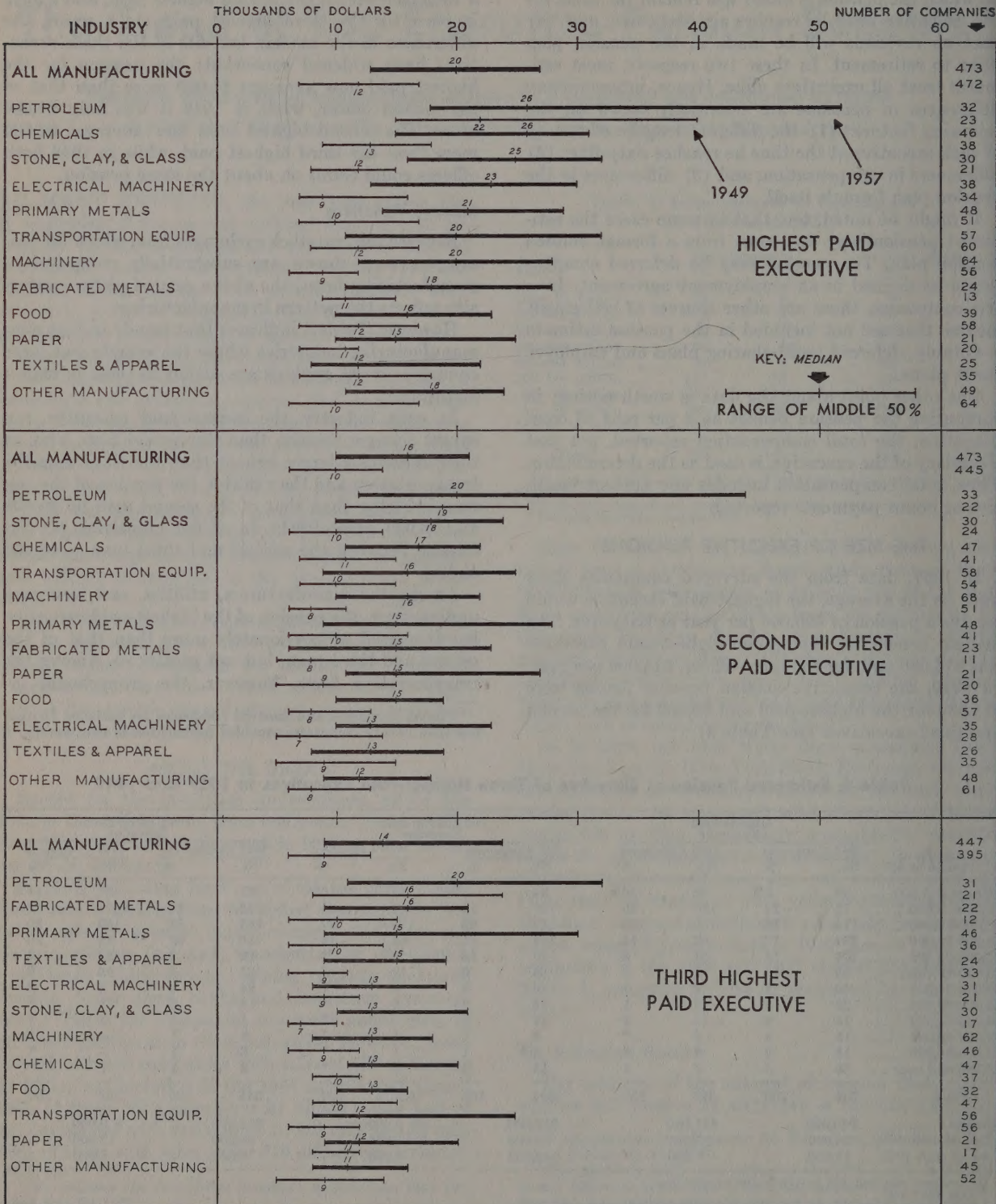
Amount of Pension at 65 ¹	Highest-Paid Executive				2nd-Highest-Paid Executive				3rd-Highest-Paid Executive			
	1957 Companies		1949 Companies		1957 Companies		1949 Companies		1957 Companies		1949 Companies	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Under \$ 5,000	33	5%	62	10%	34	5%	73	12%	31	5%	61	12%
5,000- 9,000	73	10	197	30	127	18	223	38	146	22	214	41
10,000-14,000	114	16	180	28	162	23	159	27	183	28	159	30
15,000-19,000	124	17	92	14	145	21	63	11	136	21	54	10
20,000-24,000	102	15	51	8	80	12	38	6	62	9	22	4
25,000-29,000	95	14	32	5	63	9	19	3	31	5	10	2
30,000-34,000	46	7	6	1	26	4	4	1	24	4	2	*
35,000-39,000	39	6	8	1	22	3	2	*	18	3	1	*
40,000-44,000	15	2	10	2	11	2	2	*	5	1	1	*
45,000-49,000	15	2	2	*	4	1	2	*	3	*	—	*
50,000-54,000	16	2	3	*	5	1	1	*	6	1	—	*
55,000 and over	30	4	5	1	15	2	1	*	9	1	1	*
Total	702	100	648	100	694	100	587	100	654	100	525	100
Median	\$20,000		\$11,000		\$16,000		\$ 9,000		\$14,000		\$ 9,000	
High of mid 50%	26,000		17,000		22,000		14,000		20,000		12,000	
Low of mid 50%	12,000		7,000		10,000		6,000		9,000		6,000	

Percentages may not add to 100% due to rounding.

* Less than 1%.

¹ Assuming no change in earnings or revision of plan prior to age 65.

Chart 1: Estimated Pension of Three Highest-Paid Executives in Manufacturing, 1957 and 1949



crease in the top man's pension is considerably greater than that of the other two officers. As a result, the top man is \$8,000 higher than the other two, while in 1949 all could have expected approximately the same pension. The reverse situation seems to have occurred in retail trade; pensions of the second- and third-highest-paid officers increased proportionately more than that of the top man.

Variations in Manufacturing

Because of the large number of manufacturers for which data are available, it is possible to divide this major industry group into a number of industry classifications in each of which at least twenty companies reported pension estimates in 1957. The median pension estimate and the middle 50% range of estimates for the top three executives in each of these manufacturing industries in 1949 and 1957 are shown on Chart 1.

Although the number of companies on which the medians are based is quite small in some cases, two major generalizations can be made. First, although in manufacturing the highest-paid executive can generally expect a larger pension than the second man, who, in turn, can expect a larger pension than the third man, this is specifically true only in chemicals; stone, clay and glass; transportation equipment; and machinery. Among the other industries, two other patterns emerge: (1) In petroleum, electrical machinery, primary metals and "other manufacturing," the second and third man can expect about the same pension and the top man will receive a substantially higher (\$6,000 to \$10,000) pension than either. (2) In food, textiles, paper and fabricated metals, the median estimated pension is roughly the same for all three top officers.

A second major pattern found on the chart concerns the trend in the median pension from one manufacturing industry to another. In 1949, the medians for all three officers varied from one industry to another by no more than \$4,000 (aside from the petroleum industry, which provided much larger benefits than any other). In 1957, the medians for the second and third man varied no more than \$6,000 and \$5,000, respectively, but the medians for the top man varied \$14,000 from the lowest-pension industry to the highest. In other words, industry differences in the size of pensions have become more noticeable since 1949, but

this differentiation has been limited mostly to the pension for the highest-paid officer and not to the second and third man.

This change can be illustrated by noting the per cent increase in the median pension of the three top-paid officers. On the average, the median for the highest paid increased two-thirds. But, as shown below, important differences in the rate of increase from one industry to another are apparent.

- In five industries the median for the highest-paid officer increased 100% or better: electrical machinery (144%); machinery (122%); primary metals (110%); stone, clay and glass (108%); and chemicals (100%).

- In three groups, the increase in the median pension was close to the two-thirds average: "other manufacturing" (80%); transportation equipment (67%); and fabricated metals (64%).

- In the other four groups, the increase was considerably below average: paper (36%); food (33%); petroleum (18%); and textiles and apparel (0%).

Remembering that each industry started from about the same place in 1949, the important differences in the rate of increase noted above mean more variation among the industries in 1957. Petroleum is, of course, a special case; the median in 1949 was so high relatively that the small rate of increase did not change the fact that the industry provides a relatively large pension to the highest-paid officer.

On the average, the median benefit for the second-highest-paid officer increased 60% between 1949 and 1957. But, in this case, the rate of increase varies little from one industry to another.

- On the high side are five industries: machinery (100%); food and fabricated metals (88% each); electrical machinery (86%); and stone, clay and glass (80%).

- About average are these industries: paper (67%); transportation equipment (60%); and chemicals (56%).

- On the low side are: primary metals and "other manufacturing" (50% each) and textiles and apparel (44%).

On the average, the median benefit for the third highest paid increased 44% between 1949 and 1957.

(Continued on page 258)

Table 3: Estimated Pensions of the Three Top Executives in Five Industry Groups for 1949 and 1957

Industry Group	Highest Paid			Second Highest Paid			Third Highest Paid		
	1957 Median Pension	1949 Median Pension	Per Cent Increase	1957 Median Pension	1949 Median Pension	Per Cent Increase	1957 Median Pension	1949 Median Pension	Per Cent Increase
Transportation	\$24,000	\$10,000	140%	\$16,000	\$10,000	60%	\$15,000	\$10,000	50%
Insurance	22,000	12,000	83	20,000	11,000	82	16,000	10,000	60
Manufacturing	20,000	12,000	67	16,000	10,000	60	14,000	9,000	56
Utilities	20,000	10,000	50	14,000	10,000	40	13,000	9,000	44
Retail trade	16,000	9,000	78	15,000	7,000	114	12,000	6,000	100

Company Restrictions on Executive Air Travel

Should companies limit the number of top officers flying together? One hundred and two firms that operate their own aircraft report on their practices

THE RECENT tragic crash of a Continental Can Company converted B-26 executive airplane carrying eight company officials and two crew members has again focused attention on executive air travel restrictions.

In connection with the forthcoming revision of the 1954 *Studies in Business Policy* report, "Managing Company Airplanes," THE CONFERENCE BOARD recently surveyed a large number of companies on the operation of their executive aircraft. Limitations placed on the number and rank of executives flying together was one of the areas investigated.¹ Of the 102 cooperating companies responding on this point, 60% have established or generally practice such restrictions.² And it is frequently understood, if not stated, that these limitations apply equally to both company and commercial air travel.

Responses may be classified into three general groups: those companies which have formal written provisions, those following informal or unwritten restrictions, and those having no limitations in effect.

FORMAL WRITTEN PROVISIONS

According to reporting companies, formal written provisions on the number and rank of company officials flying together are still the exception rather than the rule. Only about one out of ten companies state that they have issued written regulations on this matter. These are usually in the form of executive orders or are included in operating or procedure manuals.

In all cases, of course, these formal restrictions apply to the company's top echelon, and in most instances are extended to cover members of management operating committees or councils, key division and department heads and their top assistants, and, less frequently, to the executive committee or board of directors. Such regulations normally state that no more than two or three key executives may fly together in the same plane. Two examples of formal policy statements are shown here in the boxes.

¹In addition to executive air travel restrictions, "Managing Company Airplanes," which will be published within the next few months, will cover aircraft operating costs, pilot salaries, functions and duties of aircraft personnel, company regulations, scheduling practices, insurance, and other aspects of executive aircraft operation of interest to management.

²It should be noted that all surveyed companies operate their own executive aircraft, and that these findings should not be related to industry as a whole. For a discussion of travel restrictions in general, see the August, 1956 issue of *The Business Record*.

UNWRITTEN RESTRICTIONS

While written rules governing company officials flying together appear to be relatively infrequent, unwritten restrictions are practiced in about half of the participating firms. Such restrictions are often "clearly understood," and, although unwritten, some of these "understandings" are quite explicit. The statement of one large organic chemicals firm is typical of this group:

"Our unwritten policy is that the president and the chairman of the finance committee never fly together nor do more than two vice-presidents or the president and one vice-president. This same policy applies to department heads and their assistants; they do not fly together."

In a similar vein, but not stated so positively, are the words of an instruments, controls and apparatus manufacturer:

"We have an unwritten policy discouraging key executives in the same area of our company flying together. In other words, we attempt to avoid having, for example, two key sales or financial executives fly together. Furthermore, this unwritten policy discourages more than two of the top five executives in the company from flying on the same flight."

A large number of firms have informal arrangements

Airplane Travel Policy

No more than three members of each of the following categories, nor more than a total of four members of these categories, may travel in the same airplane:

1. Members of the executive committee
2. General managers

In addition, no more than three members of the following categories counting cognate members of the executive committee, nor more than a total of six members of any combination of these categories, may travel in the same airplane:

1. Directors of research
2. Directors of engineering
3. Directors of marketing
4. Directors of manufacturing

Finally, no more than three members of any one division with the rank of department head or above may travel in the same airplane. (*Organic chemicals*)

ments which apply only to top-level executives. Illustrating this practice are these restrictions:

"The chairman of the board has informally stipulated that no more than three members of the operations committee will fly in the airplane at any one time." (*Motor vehicles and parts*)

* * *

"On a single flight we restrict the number of the domestic management board to five, which is one-half the total number. We always attempt to divide the number of our top executives flying together so as to assume the least possible risk." (*Food products*)

* * *

"No more than two of those serving in the position of chairman of the board, president, or a corporate vice-president are to travel on any single flight." (*Rubber products*)

* * *

Air Travel Passenger Limitations

Applicable to both commercial and company air transportation

1. No more than ten general office key personnel (executive council members, general managers, division staff department heads, department managers) shall ride in the same plane.

2. The chairman of the board and the president shall not ride in the same plane.

3. The president and the executive vice-president designated to act as president in the absence of the president shall not ride in the same plane.

4. No more than two executive vice-presidents shall ride in the same plane.

5. No more than three members of the board of directors shall ride in the same plane.

6. No more than four vice-presidents (including executive vice-presidents) shall ride in the same plane.

7. No more than two divisional vice-presidents or general managers shall ride in the same plane.

8. General managers shall not ride in the same plane with the vice-presidents or executive vice-presidents to whom they report, unless there are two or more general managers reporting to one vice-president or executive vice-president, in which case only one of such general managers may ride in the same plane with the vice-president or executive vice-president concerned.

9. Assistants shall not ride in the same plane as their respective principals, except where there are two or more such assistants, in which case only one of such assistants shall accompany his principal.

10. No more than two staff department heads of divisions shall ride in the same plane with their divisional vice-presidents or general managers.

11. Assistant department heads shall not ride in the same plane as their respective department heads, except where there are two or more such assistants, in which case only one assistant department head shall ride in the same plane as his principal. (*Specialized industrial machinery*)

"The president of the company and executive vice-president do not fly in the same airplane at one time. No more than seven directors of the company (eight representing a quorum of our fifteen-man board of directors) are ever scheduled to fly in company or any other aircraft at the same time." (*Construction materials*)

The remaining companies that place limitations on their flight-bound executives follow highly informal types of arrangements, which frequently vary, depending upon circumstances. For example, several companies report that the senior officer on the flight decides what restrictions shall be in effect, based on the contingencies of the particular situation; or such matters are left to "the discretion of the president" or to the officer responsible for the aircraft operation. One petroleum company executive states that "common sense applies. In the event that more than one aircraft are involved, the more important executives usually head up the subordinate groups on each aircraft."

And finally, a few firms simply state that they "try to be prudent," "exercise discretion," or "follow normal safety measures," or, as one transportation official says, "We are cognizant of the hazard, and at times split the party between our company aircraft and commercial carriers."

NO LIMITATIONS

Approximately 40% of the participating companies place no air travel limitations on their executives, and a few do not even think it desirable. The president of a paper and allied products company says: "Frankly, we feel that we would rather have our top executives on our plane than any other mode of transportation."

And the attitude of an office equipment official is tersely stated in these words:

"There is no company policy with respect to the number of executives who can fly together as there is none to the number who can ride together in an automobile. We consider as no joke the old quip that flying can never be completely safe until the ride to the airport can be eliminated."

Another point of view is explained by this executive who reports:

"We have considered prohibiting executives from traveling together, but it seems to us that the opportunities for discussion during a trip, uninterrupted by telephone calls or by visitors, are so good, and the chance of accident is so rare, that the company would lose on such a policy."

However, most companies represented in this survey have imposed some kind of restrictions, formal or otherwise, on their executives flying together. They feel that to practice safety measures offers a form of insurance against the possibility of suddenly losing a concentration of managerial ability, however slight that possibility might be.

ROGER M. PEGRAM
Division of Business Practices

The Value of Five Screening Techniques

The personal interview remains the most used screening tool in selecting a new employee, but four other techniques may also provide important information

MOST COMPANIES today know they are making a considerable investment when they hire a new worker. This investment amounts to a "modest" \$141,000 in the case of a file clerk hired at age eighteen and retired at age sixty-five, assuming an unchanging salary of \$3,000 per year and no other costs. When all costs are included, the investment in a college graduate with technical training may well reach a staggering \$2 million.¹

The individual is making a considerable investment, too, when he accepts an offer of employment. When he throws in his lot with a particular company he is, in effect, gambling that his experiences with this company will help him lead a satisfying life and will provide him and his dependents with at least their basic economic needs. Good selection is as important to the individual as it is to the company.

Good selection, of course, depends upon the careful screening of job applicants. It depends upon a full exchange of information, and upon a careful evaluation of the information obtained. Good selection is tricky business, even with today's new and improved screening techniques. Sometime in the future it is conceivable that exact selection procedures can be set up and followed, but no such millennium has yet arrived. Selection still is an art as well as a science.

Realistic Approach Favored

Fortunately the dreams of employment specialists are not bound to a search for a magic formula to make good selection automatic. Rather, these specialists are working along more realistic and more hopeful lines. What they are attempting to do, in brief, is to improve the tools of their trade and to improve their skills in using these tools. What this approach lacks in dramatics it would seem to gain in terms of greater promise of eventual payoff.²

¹Standard accounting practice would recognize many items in addition to salary as legitimate ones to include in analyzing the true costs of hiring and maintaining a worker. Such items as the following could be mentioned: costs of recruitment, selection, training, costs of supervision, travel and moving expenses, bonuses and special allowances, benefits during forty-odd years of employment and during retirement, and overhead. (The \$2 million figure is one company's estimate of the total cost of a college graduate, assuming a starting salary of \$5,500 with "normal" increases allowed during the employment period.)

²The experienced employment manager has learned that there are no short-cuts to good selection. He discounts claims for new gimmicks which "promise to revolutionize present selection methods."

It is axiomatic that good selection depends upon good information. It is necessary to gather pertinent and reliable information in several important areas before deciding if the applicant has the qualifications that are needed for the job to be filled. The company interviewer wishes to know if the applicant:

- can do the job well
- will do the job well
- will "fit in"

"Can do" involves aptitudes and skills, training and work experience, and health considerations. "Will do" is a matter of motivation. "Fitting in" depends upon the individual's acceptance of himself and his relationship with others.

How is the employment interviewer to obtain the information needed? The traditional answer to this question is the interview. That is, the interviewer sits down with the applicant, gets acquainted with him, and then proceeds to ask him about his schooling, his interests, his work experience, and so on. If he is a skilled interviewer and able to "draw out" the applicant, he may elicit considerable information in the process. The applicant might know the answers to the questions asked him and he might be willing to reveal the truth, the whole truth, and nothing but the truth. But not all interviewers are sufficiently skilled, and obviously not all applicants are able and willing to supply full information about themselves and their backgrounds.¹

The employment interview, however, easily remains the most used screening tool and the one most depended upon. No company known to THE CONFERENCE BOARD is willing to hire a worker sight unseen. All companies want the chance "to look the man over," however briefly, before putting him on the payroll. This is true for the lowest-paid worker as well as for the highest-paid executive. In the latter instance, of course, the looking-over process may be extended over a period of weeks or even months, and many persons may become involved.

¹Many individuals cannot even give their heights and weights accurately. Some have difficulty remembering important dates and events in their past. Almost all job applicants when asked about their health reply, "Excellent." If questioned why they left previous positions, few are inclined to explain any lack of ability or effort on their part. Some competent workers make poor interview impressions. Some poor workers look like world beaters during an interview.

Other Techniques Available

But the interview is only one device for obtaining the information about an applicant which is desired in judging his qualifications for employment. A half dozen or more other devices can be listed:

Observation and inspection¹

Psychological tests

Medical examinations

Papers and records prepared by the applicant (e.g. application blank, special reports, etc.)

Reference checks (personal, school, and work)

Credit agency reports (from "routine checks" to "comprehensive studies")

Police department information

Some companies require applicants to submit their photographs and specimens of their handwriting, believing that such documents offer clues to character. A number of companies now are asking for third-party evaluations of candidates being considered for key positions. These evaluations or appraisals are made in depth by management consultants with special training.

Five popular screening techniques are considered in this discussion. The frequency of use of each technique, according to a recent Conference Board survey among 501 companies, is shown in the accompanying table. It will be noted that the practice of checking work references is almost as universal as the practice of interviewing. On the other hand, fewer than one-third of the companies regularly obtain credit agency reports on job applicants.

Frequency of use probably gives a rough measure of the value of a technique in the eyes of management. This, of course, is not necessarily the case. If questioned on the matter, management might be expected to reply: "In general, this is true. If we use a technique regularly, it's probably a good bet that we think well of it. If we apply the technique just occasionally, it's likely that we question its value. But these statements cover just the run-of-the-mill cases. There are plenty of special cases, and here our answers would be different."

Medical Report May Be Vital

It is clear that a specific value cannot be assigned to a screening technique that will hold for all cases. The medical examination may reveal a condition that immediately disqualifies a candidate from further consideration despite his superior qualifications in all other respects. Or a credit agency finding that the individual had lost his last two jobs due to excessive drinking might cause management to stop further

¹ Sometimes candidates can be disqualified almost as soon as they enter the employment office. A woman may apply for a job where only a man will be considered; a small, handicapped man may apply for heavy, manual work; etc.

negotiations for his services. And so on for the other techniques. While it is true that any single technique may be the critical one in a particular case, the figures in the accompanying table suggest the relative value of the different techniques for most cases, as viewed by management today.

The chart on the next page requires some explanation. The five screening techniques, already mentioned, are shown at the top. Ten items deemed of significance to work adjustment are shown at the left.

The personal interview includes the preliminary interview, if one is held. This interview occurs in the employment office and usually lasts two to five minutes. In addition, the personal interview covers the longer and more comprehensive screening in the employment office as well as the interview with the supervisor who is looking for a new worker. The latter may be held in the employment office, in the supervisor's office, on the floor, or almost any place on the premises. Sometimes two or even three interviewers will talk with an applicant. Thus, there may be as many as five screening interviews with a single applicant. All these are considered under "personal interview."

Psychological testing is well understood today. All kinds of tests are included under this heading, such as intelligence, dexterity, interest, personality, clerical ability and aptitude tests. Applicants may be tested singly or in groups, depending upon the tests used and the number of applicants to be screened.

No extended comment about the medical examination is needed. It is commonly referred to as the "pre-employment physical" although it does not always occur prior to hiring. The medical examination is a relatively time-consuming, costly procedure; usually only candidates in which the company is definitely interested are referred to the physician.

Credit agency reports often are broader in scope than the name suggests. Although originally designed as a check on an individual's credit rating, they now may cover information about his drinking habits, his

**Per Cent of 501 Companies Using
Five Screening Techniques**

Screening Technique	Per Cent of Companies Using Technique with:	
	Applicants for Salaried Jobs	Applicants for Hourly Paid Jobs
Personal interview *	100	100
Psychological tests	43	32
Medical examination	71	80
Credit agency report	34	21
Reference checks		
Personal	64	74
School	59	38
Work	95	92

Source: THE CONFERENCE BOARD

* Four of the 501 companies did not indicate the *type* of employment interview used, but it is assumed these companies did interview job candidates.

record as a law-abiding citizen, his reputation in his neighborhood, his work experiences, and so on. These reports are prepared, on request, for companies by outside commercial organizations that have trained representatives specializing in this type of work.

The fifth screening technique is the reference check. Such checks are for the purpose of collecting facts and opinions about job applicants from sources outside the company. The three kinds of reference checks used by companies (personal, school, and work) explain themselves. The checking may be done by mail, phone, or personal visit.

Employment managers differ when asked to list the various things they want to know about an applicant before judging his qualifications. And they will disagree on the importance of the items they list. The ten

characteristics which appear on the chart are commonly considered, but certainly there is nothing final or absolute about the list.¹

Reading the Chart

A check mark in a box means that the technique offers a major help for evaluating a characteristic. Thus, the personal interview is very useful for assessing an applicant's appearance. It also offers a likely way of studying his personality. But note the eight empty boxes under personal interview! It was

¹ The inclusion of *attendance* in the listing probably will be questioned more than any other item. But no employee, however capable, is worth anything to his company when he fails to appear for work. Irregular attendance creates many problems for an organization and is a frequent reason for discharge.

Consensus of Current Views on Usefulness of Five Screening Techniques

A check mark in a box means that the technique has major usefulness for assessing the characteristic indicated

Characteristics of the Applicant to be Evaluated	1. Personal Interview	2. Psychological Tests	3. Medical Examination	4. Credit Agency Report	5. Reference Check		
					Personal	School	Work
Appearance: Dress, grooming, facial characteristics	✓						
Aptitude: Capacities for performing various types of work		✓					
Attendance: Average number of absences per year							✓
Health: General condition and characteristics, vitality, limitations			✓				
Intelligence: Mental alertness, ability to learn		✓					
Job Proficiency: Skill and ability in different jobs		✓					✓
Personality: Character, manners, stability	✓						✓
Social Adjustment: Record in community				✓			
Training: At school and on the job						✓	✓
Work Habits: Industriousness, productivity							✓

not long ago that many companies relied chiefly, if not exclusively, on the personal interview and on the personal reference check in screening applicants. Today these techniques are considered of major usefulness for only two of the ten areas of study shown on the chart.¹

The rest of the chart is read in the same way. Tests are rated important in assessing three characteristics. The medical examination, the credit agency report, and the school reference check have one check mark each. Personal references have no major usefulness, according to students of the subject, and many companies no longer bother to ask for them.

But note, on the other hand, the vital role given the work reference! It is rated the outstanding screening technique available to the employment manager. It sheds light on five of the ten characteristics. A company that fails to make use of this technique would seem to be missing a good bet. Stated positively, it is reasonable to conclude that a company making good use of work reference checks should be batting high in selecting successful workers.

Naturally the ratings shown on the chart are arbitrary to a degree. Not everyone will agree with them. Some will wish to defend the interview. Others will cite disappointing experience with testing. Many employment managers favor particular screening devices which they claim "work" for them.

It might help to emphasize that the check marks on the chart indicate the techniques of *major* usefulness for assessing the different characteristics. It could be argued that credit agency reports often throw light on several of the items and not just on the one marked (social adjustment). Undoubtedly, an experienced employment manager learns much during a personal interview, especially if he is able to get the applicant to "open up." Thus, it is readily granted that all of the techniques may be of *some* usefulness in other areas not checked on the chart. The main purpose of the chart is to point out the *most likely* techniques for accomplishing the job to be done.

It goes almost without saying that no technique can be expected to produce good results if improperly used. A work reference check, for example, will be of little value if the wrong questions are asked or if poor answers are given after a delay of one or two weeks. Dependable information is needed on matters that make a difference to a successful job adjustment and, if such information from a previous employer can be obtained promptly, the check can be extremely helpful.

A sales manager, who is well aware of current think-

¹ So much criticism has been leveled at the employment interview that some executives are wondering if it has outlived its usefulness. Although the weaknesses of the interview procedure are well known, it still has a definite place. Thus, instead of abandoning the interview, the search now is for ways of using it more effectively in the areas where its use is appropriate. "Why," questioned one student of the subject, "should we throw out the baby with the dirty bath water?"

ing on the subject of selection and who makes full use of the available techniques, has added a final one of his own. After looking the candidate over as carefully as he can, he invites him *to live in his home for two weeks*. At the end of the period each knows the other so well that the right decision is made automatically. The only weakness of the plan, according to the sales manager, is that his wife does not permit its use with female applicants.

STEPHEN HABBE

Division of Personnel Administration

Management Bookshelf

The Status Seekers—Far from moving toward a "classless" society, the United States has developed a class structure with five distinguishable stratifications, contends the author. Drawing upon a large array of social research, he demonstrates the varying mores, symbols, and trappings of status that characterize each level. While most of the material presented is not new, the author has reorganized the data and rewritten the information in a manner understandable to the layman rather than just the social scientist. Of special interest to business are his chapters dealing with status seekers and symbols on the job. These chapters are titled: "Totem Poles of Job Prestige" and "Pecking Orders in Corporate Barnyards." By Vance Packard, *David McKay Company, Inc., New York, New York, 1959, 376 pp., \$4.50.*

Communication in Organizations: Some New Research Findings—A report on the findings of four research projects supported by the Foundation for Research on Human Behavior. Two are concerned with problems at the receiving end of communications systems, and two examine communications systems in certain business organizations. Topics include the distortion of messages by the receiver of the message, the success of role-playing in increasing the sensitivity of executive trainees, and communication difficulties between a boss and his subordinates. The transmission of information is not enough, the report points out; many other important factors contribute to the acceptance of what is communicated. *Foundation for Research on Human Behavior, Ann Arbor, Michigan, 1959, 48 pp., \$3.*

Corporate Diagrams and Administrative Personnel of the Chemical Industry—Included in this recently released compendium are the corporate personnel and functions of seventy-one companies or company subsidiaries. The organization charts of forty of the companies are used to show the structure of the organization in terms of functions and product or geographic divisions. In all cases, position incumbents are also shown. For thirty-one companies where organization charts were not available, the editors have included a listing of the directors, executives, administrative and operating personnel. *Edited by Kenneth R. Kern, available from Chemical Economic Services, Princeton, New Jersey, 1959, 78 pp., \$20.*

Maternity Leaves of Absence

Many companies have found it advantageous to permit special maternity leaves so that the continuity of a woman's employment is not interrupted

MORE THAN 22 million women—a third of the labor force—are now holding down jobs. This exceeds by 2.7 million the peak employment of women during World War II. Of the women now employed, over half are married. And about 18% (4 million) are working wives in the principal childbearing age group—between twenty and thirty-four.

Since 1940, childbearing among women between these ages has risen sharply—by 70% for those age twenty to twenty-four and somewhat less for those twenty-five to thirty-four. But despite the increased proportion with children, employment of women in this age group continues to rise. A growing number of young women are staying at work until shortly before their first child is born, and more mothers of young children are working. Employment and population projections indicate a continuation of this trend.

This observation raises a basic question for companies: What happens to the employment relationship when the "stork" plans to visit an employee? Should the woman leaving to have a baby be terminated or should the company continue the employment relationship during her absence?

According to a Conference Board study of maternity-leave practices in over 400 companies, more than two-thirds grant maternity leaves to hourly workers and over two-fifths grant them to nonexempt salaried

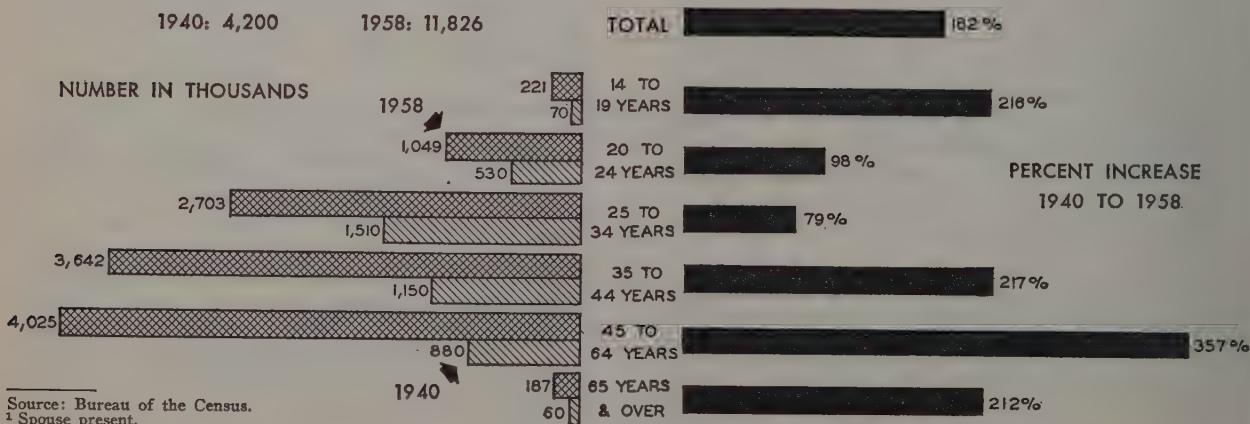
workers.¹ That is, companies more frequently provide employment guarantees to hourly paid (factory) women than to office or clerical women. A possible explanation of this phenomenon is that clerical employees who become pregnant usually are young women expecting their first child. Most of them have no intention of returning to work, at least for several years. For this reason, many companies hiring large numbers of women office employees indicate that it is not practical to grant them maternity leaves. A few women at these companies do reapply for work within a year after childbirth, and in such cases the company endeavors to relocate them, either in their previous jobs or in similar ones.

On the other hand, the production woman usually belongs to a union and is inclined to take advantage of seniority privileges and maternity-leave provisions that are in the union contract.

Considerations other than union influence, however, often prompt companies to grant maternity leaves. For example, some firms indicate that they place a premium on women who maintain a satisfactory employment record over a period of years. Extension of a maternity leave to such women is tacit recognition of their loyalty and is in the company's interest. Good

¹ "Personnel Practices in Factory and Office," *Studies in Personnel Policy*, No. 143, pp. 29 and 80.

Married Women in the Labor Force, by Age, for March, 1940 and March, 1958¹



public relations, employee morale, labor market shortages, employment and training costs are other considerations that may influence a company to grant maternity leaves of absence.

This article analyzes the practices of 112 companies that provide maternity leaves in order to preserve the employment relationship. Maternity-leave provisions found in 101 active union contracts are the primary source of data. Additional information was secured from eleven unorganized firms. The companies included are in both durable and nondurable manufacturing, as well as in communications, retail trade, transportation, utilities, banking, and insurance. A tabulation of the companies and unions in the study is shown in Table 1.

The practices in these companies vary widely. Within an industry or union group, such patterns that emerge merely reflect parts of the picture. However, in order to be eligible for maternity leave, the employee must meet certain service and procedural requirements. Generally, the leave period, granted without pay, is for six months (over a third of the companies) although twelve months' leave is given frequently (about a fourth of the companies). Where provisions are made for extension of leave periods upon medical recommendation, the additional time granted is usually three months.

About half the plans discussed in the article specify a maximum time during which the pregnant employee may continue to work. This is generally up to the end of the fifth or sixth month. About a fourth of the companies also stipulate a definite time for returning to work, usually not sooner than the second or third month after delivery. And three-fourths of the companies undertake to protect seniority in one form or another. Finally, while most plans fail to spell out the extent of job guarantees, about a fourth do guarantee reemployment.

THE MEANING OF LEAVE STATUS

Maternity leave is primarily the right or privilege of the employee to take a voluntary leave of absence for pregnancy with a reasonable assurance of job security on her return to work. Since the leave implies, at a minimum, that the employee is absent only temporarily, the nature of the employment relationship during leave is by far the most crucial problem for the company and the most important question for the employee.

As previously stated, three-fourths of the maternity plans included in the study (eighty-four companies) provide for some degree of seniority protection. Of these, two out of three (fifty-six companies) permit seniority to accumulate during the leave period. In the remaining twenty-eight companies, the woman retains whatever seniority she has accrued up to the time of leave taking. But not all plans permitting ac-

Table 1: Industrial Classification and Union Representation for 112 Companies

Industry Classification	No. of Companies	Unions Represented
Aircraft	4	IAM; UAW; Welders
Auto, auto parts and farm equipment	15	UAW; IAM; Office Employees
Chemicals	5	Chemical Workers; OCAW; UMWA (District 50)
Food	6	Grain Millers; Packinghouse Workers; Meat Cutters
Machinery	15	IUE; UE; IAM; UAW; Steelworkers; Engineers' Assn.; MESA
Metals	4	IAM; Office Employees; Brass Workers
Newspaper publishing	10	Newspaper Guild
Paper	10	Paper Makers; Pulp, Sulphite & Paper Mill Workers
Rubber	3	Rubber Workers
Textiles	6	Textile Workers; Office Workers
Other manufacturing	6	Textile Workers; Shoe Workers; Glass & Ceramic Workers; Carpenters & Joiners
Total manufacturing	84	
Airline transportation	5	Airline Communications Employees; Railway Clerks
Banking	3	None
Communications	3	Communications Workers
Insurance	1	None
Public utilities	7	Office Employees; Utility Workers; Chemical Workers; Professional Engineers
Retail trade	4	RWDSU
Total nonmanufacturing	28	

cumulation allow accrual for the entire period of absence. Ten of the fifty-six plans specify that seniority will be broken if the woman remains out beyond a specified time. Usually the allowable time for seniority accumulation is six months, but variations are thirty days, two months and four months. In contrast, some plans state that seniority accumulates during the entire period of absence, including any extension. Some say the total leave may not exceed two years, while others specify a year's total leave.

Employment Guarantees

About a fourth (thirty-three) of the companies guarantee that the woman can return to the same or a similar job at the end of her maternity leave. In the application of job guarantees, however, seniority provisions are the controlling factor. When the employee is returned to the same or a similar job, companies use two different approaches in arriving at the rate of pay she receives. In some companies she returns at her former rate of pay; in others she receives the current rate for the job. The employee who served as replacement for the returning woman is either transferred, demoted, or dismissed to make room for her, consistent, of course, with any seniority rulings that might apply.

Generally, the returning woman who claims her

former job must do so within a specified period. The following quotation is representative.

"If the period of leave does not exceed six months, the employee will be returned to her same job, providing her seniority and group rating (employee performance record) permit. If the employee's leave is in excess of six months, the employee is entitled to return to her former job only if an opening exists. If no opening exists, the employee will be offered another job consistent with her qualifications, or be placed on layoff status."

Twelve companies, while not guaranteeing the same job or classification, promise to provide an equivalent position, if available. If not, the woman is placed on recall, during which time she will be entitled to any job opening for which she is qualified. In this case, the company may not hire others before offering the job to her. An excerpt from one of the union contracts illustrates this situation:

"At any time within the two-year period of leave the employee may notify the company in writing of her desire to return to work, and she will be entitled to an offer of the next job opening for which she has sufficient qualifications in the division and in the same general line of work from which she left. The company may not hire from the outside to fill a vacancy until it has been offered to the employee. But the opening must occur within a year after the employee's notice. If the opening is in the same job class, or in a parallel classification in the same type of working unit, the employee will receive the same rate of pay as when she left the company. If the opening is in a lower classification, she will receive the standard rate for the job or her previous rate, whichever is lower."

Three companies indicate that the granting of leave does not imply any guarantee of reinstatement, and women going on maternity leave are required to sign a certificate to that effect. Leave status implies, in these cases, that the company will make every effort to replace the employee short of putting her on recall. According to reports from these companies, in actual practice reemployment is hardly ever a difficult problem.

In over half the companies (sixty-four) the question of job security is not spelled out. Since most of these companies grant seniority protection during leave, the assumption is that the woman returning from maternity leave may exercise whatever seniority rights she has in her claim to a job.¹

DURATION OF LEAVE

The Women's Bureau and the Children's Bureau of the Federal Government both recommend a minimum of three and a half months' maternity leave (six weeks

before and two months after delivery.)¹ Also, six states with laws governing minimum maternity leave require at least eight weeks—four weeks before and four weeks after childbirth.² All but one of the maternity leave plans included in this article exceed the minimum requirements recommended by state laws and government agencies. The most frequent leave period is six months, with twelve-month periods occurring somewhat less frequently. Over a third (thirty-seven) of the companies granting maternity leaves give a minimum of six months, while more than a fourth (twenty-eight companies) grant a year's leave. Three companies permit up to two years' leave.

Although companies invariably indicate the maximum permissible leave, several also stipulate a minimum requirement. In one company the employee must remain away from the job at least five months and may extend her leave to nine months. Two companies place the minimum at six months and the maximum at twelve, while two others that also grant a twelve-month maximum require a minimum leave of eight months. The maximum duration of the initial maternity leave in the ninety-eight companies for which data were available is shown below:

Duration	Number of Companies
1 month	1
3 months	3
5 months	1
6 months	37
7 months	1
8 months	9
9 months	5
12 months	28
18 months	2
24 months	3
On individual basis	7
Based on service	1
Total	98

Only one company in the study does not permit at least three months' leave. This company notes that, despite its rigid leave requirements, in a few instances women have taken maternity leave, although pregnant women usually resign. Three of the companies that determine duration of leave on an individual basis specify that the amount of leave depends on the woman's physical condition as determined by her physician. Another company bases leave duration on length of service: six months for women with two years or more, three months for women with a year's service, and a month's leave for those with less than a year.

Extension of Leave

About half the companies make no allowance for extension of leave should the woman be unable to return to work at the end of the time granted. In these cases,

(Continued on page 260)

¹ "Maternity Protection in the United States," *Bulletin* 240, Department of Labor, Women's Bureau, 1952, p. 7.

² The states are: Connecticut, Massachusetts, Missouri, New York, Vermont and Washington.

¹ Leave status may also include cash payments for any unused accumulation of sick leave credits, or, under sickness and accident insurance plans, paid benefits for maternity disability. Provision for continued group insurance protection during absence may also be included in maternity plans. No attempt was made to assay these aspects of maternity provisions.

Figuring Strike Costs

Some companies attempt to estimate the actual dollars and cents cost of a strike by keeping special records of strike expenses. Fifty companies report

APPROACHES to determining "strike costs" vary among companies. To a certain degree, they offer different views on what the major costs of a strike are and how to go about the task of figuring them.

In a Conference Board survey of ninety-four companies, fifty indicated that they make a special record of what they call strike costs. The remainder replied that they kept no special records or had not considered the matter. Of the fifty companies, nine report that they had set up special methods for isolating and tabulating such costs, to be used when the possibility of a strike became evident, or after a strike began. In these cases, the company's controller established a special account number with which all strike costs were thereafter to be coded. This process was described in the survey by such statements as:

- "All management employees are asked to code strike expenses in order that the controller may summarize them."
- "Special charges are set up and coded."
- "The controller sets up a special account to which are charged all expenses due to the strike."

EXAMPLES OF STRIKE COSTS

Two items were most frequently designated in the survey as important strike expenses: the loss of production and the continuation of fixed costs during the strike. With respect to fixed costs, or "overhead costs," reference was often made to the wages and salaries paid to office employees, supervisors and others during the time that production was either at a standstill or sharply reduced. In some cases, these wages were paid for "made" work, that is, work assignments devised primarily to provide continuity of employment and not because the work was actually necessary.

With respect to special expenses directly related to the strike itself, these were mentioned: demurrage costs, the renting of extra warehouse space, overtime, construction delays due to the strike, extra protection for plant and personnel, repairs to plant and equipment damaged as a result of the strike, losses due to sympathy slow-downs, special legal advice, costs of publicizing viewpoints, and special expenses for food, transportation and lodging for employees, incurred as a consequence of the strike.

Emphasis Is Varied

An indication of the different emphasis that companies place on the various items will be found in the replies from the following three companies.

In basic steel—A company reports that strike costs fall into three categories:

1. **Strike Expenses.** An account is set up to cover expenses arising from a strike, such as (a) bonuses to supervisory personnel assigned to essential maintenance in the plant; (b) utilities consumed in such maintenance; and (c) allocations of unusual costs in shutting down and starting up operations.

2. **Negotiation Costs.** This account includes additional expenses incurred in negotiations, such as mailings and advertisements, legal fees and traveling expenses.

3. **Unrecovered Overhead and Lost Business Opportunities.** The company attempts to determine the amount of continuing overhead costs it was not able to absorb because of the interruption of business by a strike, as well as its lost profit opportunities. Most costs continue during a strike, except for direct labor and materials. For example, pension and vacation accruals continue, since the strike does not lessen the company's obligation for these expenditures.

In the food industry—A company states that it automatically accumulates information on the strike's effect on profits each time it experiences a strike. While other items frequently appear in these accumulations, the three major items in all computations are:

1. Purchase of product from outside sources to offset loss of production.
2. Rescheduling of production to other operating plants.
3. Estimated loss of volume.

In the machine tool industry—At the expiration of a strike, this company knows exactly how its cash balance has been affected and what its overhead costs have been. It can establish what wages and salaries have been paid and what have been its light and heat bills, depreciation, insurance, and extraordinary expenses such as legal fees and consulting fees. The company also states it can make a very accurate and realistic estimate of what its unrealized profit would have been.

It knows what the previous month or quarter earnings were, what shipments would have been made (because the orders would have ordinarily been in),

the cost of plant protection, tax insurance liabilities, and the like. The strike cost may be established by the actual depreciation in net worth.

In the survey replies, one item that is mentioned frequently is the cost of continuing the wages and salaries for certain nonstriking personnel during a work stoppage. Although many companies try to provide continuous employment to various groups of non-strikers—for example, to supervisors—an eventual cessation of, or a cut back in, such wage and salary costs may be necessary if the strike is prolonged.

As the survey indicates, these are difficult decisions to make. On the one hand, company executives are prompted to minimize, where possible, the heavy drain on financial resources from meeting payrolls without production. On the other, a company is faced with the need for holding its personnel against the time when operations will be resumed, particularly loyal and efficient workers and managers. The concern for personnel lost through such layoffs is described by one executive:

"It is very likely that if we engaged in a long strike and laid off salaried employees, they might seek employment elsewhere and not return. This same thing could be true of some of our hourly employees who might seek, find and stay on new jobs."

A chemical firm states its policy on payroll costs during a strike in this way:

"Payment of Nonstrikers in Time of Strike. It shall be company policy to continue the salaries of all exempt personnel during time of strike, providing they perform such duties as the company may require. Salesmen will receive a salary as approved by the regional vice-president. Other employees will be retained only if they are performing useful tasks required by the company."

A construction company executive explained his firm's policy in this matter by saying that salary payrolls would go on "for some time" prior to the necessity of deciding whether to lay off or release some personnel, while retaining "key people."

One company with nationwide operations found it necessary to reduce executives' and supervisors' salaries when it became apparent that a company-wide strike would go on indefinitely. Salaries of officers were reduced 50% and those of supervisors and managers were reduced according to a certain scale, with a minimum cut of 15%. When the strike ended, all salary was restored retroactively for a period of several weeks.

Important Intangible Losses

Mention is also made of serious costs that cannot be figured in a material way. One industrial relations vice-president said that only an educated guess can be made of the cost of a strike in terms of customer and public relations, or in strained labor relations. To these hazards must be added not only lost orders but lost customers and "the demoralizing effect on our sales

organization." Defections among the skilled or key personnel that result when layoffs or payroll cuts occur, referred to previously, are another largely intangible loss.

Another industrial relations executive, in reporting the strike experiences of his company, described the low morale and the resentment among the employees which builds up against the company during a strike, particularly among those paid on an hourly basis. The public relations cost is important not only because of the bad economic effects within the community, but in the practical terms of lowered company prestige and the reduction "in the number and quality of job applicants coming into the employment offices."

METHODS AND ASSUMPTIONS

The company's controller, although he has basic responsibility for figuring strike costs, normally shares with other company executives much of the responsibility for the collection and evaluation of the data necessary to the process.

While this cooperative effort is likely to involve all operating executives in varying degree, the industrial relations director is one of those most likely to be called upon to make a major contribution. THE CONFERENCE BOARD survey indicates that, in many companies, this particular joint responsibility is discharged effectively but that in some companies the process is still in a developmental stage even where it relates to the personnel department. One controller's group, which examined the general question of company record keeping, reported that many of the firms studied do not keep adequate personnel records relating to the daily cost of a strike.¹ The importance of such records is recognized by one company with this request to division heads, set out in its personnel manual:

"Keep a Record of Strike Damages and Losses. Prepare an estimate of damages, loss of business and other strike costs. This may prove valuable in subsequent bargaining, the settlement of the case, or in the event we may wish to sue the union for violation of the agreement—if it is that kind of a strike."

Some companies prefer to put off the development of methods for determining strike costs until the need arises—that is, until a strike occurs and it becomes necessary to estimate the various kinds of losses and to enter them on the books. Along such lines, the following point of view was expressed:

"We have no formula to apply to a hypothetical situation covering a strike. Our computations, if and when we have occasion to make them, are retrospective. We would probably approach the matter by an attempt to measure the variance from our production schedules and cost estimates during the period of the strike that were not compensated within a six to twelve month period."

¹ See "Providing Facts and Figures for Collective Bargaining," Controllershship Foundation, Inc., New York, New York.

Although this company has no precise formula, its experience in several strike situations has served to demonstrate a number of basic principles. For example, the reference to a six or twelve month period for determining "compensation" reflects a common experience of many companies in estimating losses. This company suffered a loss of several million dollars in sales during one month as a result of a strike, but ended the year with extra sales (greater than the loss by many millions) which had not been projected at the beginning of the year. The company thus concluded that the figures themselves offered little on which to rely in estimating the genuine effect of lost production on sales.

Two Methods Described

Methods of computing strike costs vary considerably among companies. One business firm explains the computation process which it uses in this way:

"We disregard all the potentialities and probabilities and calculate exactly what our profits would have been, based upon normal operations. We add to that figure the actual money cost of the strike which is reflected in a reduced cash balance. Then we add to that figure the actual cost of reinstatement of the contract and the re-establishment of normal operations.

"In contract reinstatement are included vacations and vacation credits; paid holidays; life and hospitalization insurance costs; pension credits; and any other so called fringe benefits."

One controller describes his company's method of handling three of the specific problems which were encountered in the computation of strike losses:

1. *Purchase of product from outside sources to offset loss of production.* Cost of purchases is measured against our manufacturing costs at the struck plant including: direct material; direct labor; supplies; utilities; transportation; and warehousing.

2. *Rescheduling of production to other operating plants.* The elements of unit cost at the struck plant and at the plant to which production is rescheduled are compared. These consist of the costs enumerated above, plus overtime cost directly attributable to the rescheduled volume.

3. *Estimated loss of volume.* Marginal volume is not rescheduled but is accumulated under this heading to establish the amount of profit it would have generated. Loss of other than marginal business already booked plus loss of business forecasted in our operating plan for the period which could not be booked due to the strike is accumulated, and the estimated loss of margin is considered as a loss of profit.

Underlying Assumptions

When a computation of strike losses rests upon an estimate of "what would have been normal production," a group of assumptions is adopted for practical purposes—assumptions which, in some industries, may be very difficult to test against the facts. This is explained by a company executive in terms of his particular industry:

"A key assumption we make is the one concerning the level of operation that we would have enjoyed had the strike not occurred. Since the [expected] occurrence of a strike itself seriously affects demand, the assumed level of operation can be only a very crude guess.

"Every major strike [in this industry] has been preceded to some extent by 'scare buying.' If the strike that buyers were betting on did not occur, production might be somewhat lower than our estimate. On the other hand, in a booming upswing it is not impossible that our estimate will significantly understate the extent of demand."

Comparison with "Business-Interruption" Claims

A similar assumption of "what would have been normal production" is made in computing insurance claims for losses resulting from an interruption to business when plant or equipment are damaged by fire or windstorm. These business-interruption claims, or, as they were once called, "use and occupancy" claims, are filed under insurance policies intended to do as much for the insured as the business would have done for him had no interruption occurred.

In THE CONFERENCE BOARD survey, one company made this point by stating that, in figuring strike losses, it would accumulate the identical information that it would in filing a "use and occupancy" claim.

Just as in the computation of strike losses due to a halt in production activity, the estimate of interruption losses is based on many intangibles in the operation of the enterprise.

In essence, the "yardstick for measurement of the loss is the sales value of lost production, which necessarily implies the determination of what would have been produced had there been no loss. . . ." ¹ This requires an examination of the rate at which orders were coming in prior to the interruption, as well as the rate at which they were being completed and sent out. Two examples among the many factors which may affect the estimate are these: scheduled vacations and holidays, since these would reduce the rate of completion, and a demonstrable rise in the efficiency curve, since this increases it. Another step in the process (which may be followed in some situations) is the development of a figure for the rate of profit per unit of production lost, after an analysis has been made of product mix and the margin of profitability for each product, to name two specific items.

Some payroll charges may be included in computing unabsorbed fixed costs, such as salaries for engineering personnel, as well as various accrual charges, such as vacations, pensions, holidays and Social Security. Also, there may be included the extra costs which flow from efforts to remedy or minimize loss of production, such as overtime costs or reduced efficiency, mentioned earlier.

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¹ "The Controller's Role when Disaster Strikes," by Edwin E. McConnell and William H. Perkes, *The Controller*, 1955.

More About the NLRB Rules on Union Hiring Halls

THE NATIONAL Labor Relations Board is continuing to develop new rules to protect employees from certain discriminatory practices of union hiring halls. This is illustrated by a new decision¹ which adds more details to the board's enforcement policy on this subject.

In addition, the new case serves as a practical demonstration of how certain long-established board rules can be used by members of a reform group within a union to protect themselves from retaliatory coercive practices by those in control of the organization and its hiring hall.

THE NEW HIRING-HALL RULES

The new board rules deal with those hiring halls that virtually amount to closed shops as the result of exclusive union control of the hiring process. In brief, the board now requires that the collective bargaining agreement which authorizes the operation of a union hiring hall contain three minimum safeguards:

- The selection and referral of job applicants to an employer must be made without discrimination and without reference to union membership, policies and requirements.
- The employer retains the right to reject any applicant.
- The parties must post notices setting out the various contract provisions relating to the hiring hall, including the safeguards.

As explained in an article in the May, 1959 issue of *Management Record*, a contract clause that grants a union exclusive control of a hiring hall without including these safeguards is illegal in itself,² apart from whether the actual hiring-hall practices constitute a closed shop. Such unilateral control, said the board, was notice "to the world at large that the union is arbitrary master and is contractually guaranteed to remain so." This violates the Taft-Hartley Act's provisions against exerting pressure upon job applicants to comply with union obligations or to participate in union activities generally.

¹ *Local 188, Operating Engineers, AFL-CIO and Nassau and Suffolk Contractors Association, Inc.*, 123 NLRB No. 167, June 4, 1959.

² *Mountain Pacific Chapter of the Associated General Contractors, Inc.*, et al., 119 NLRB No. 126A.

NLRB member John H. Fanning has summed up the effect of the new rules on hiring halls as follows:

"Not only are employees entitled to fair treatment, but in my view they are equally entitled to know whether or not they are getting it. And how else can they tell except by knowing just how the system is supposed to work?"¹

The Question of Liability Clarified

The board looks to the contract as the source of the illegality and to *both* the union and the employer as the parties who bear the responsibility, and who are therefore subject to the penalty: i.e., reimbursement to all employees who have been subjected to the illegal contract's recruiting procedures of all dues and initiation fees for as far back as six months before the charge was filed. Considering the large number of employees that are so often covered by labor contracts and the many months that may pass before a board ruling finally decides that an existing arrangement is illegal and must be changed, this could easily mean a reimbursement of many thousands of dollars.

In the event the specific charge in the case has been brought by the complaining employees against only one party (either one), then, according to the board's procedures, the penalty would be assessed against only one. The board cannot issue an order against an employer or a labor organization unless it is named in the charge.²

In the new decision, the board illustrates this by saying:

"In cases in which the union alone is named respondent party to an exclusive hiring-hall or closed-shop contract, the union shall be liable for all sums paid by employees covered under such contract found unlawful by the board."

In cases involving multiemployer contracts where the union and one or more of the employers are named, the board has said that the liability of the employer extends only to his own employees:

"... the limitation upon the liability of a particular employer derives from the fact that an employer participates in a contract only to the extent its own employees are involved. On the other hand, a union which maintains contractual relations with one or more employers participates to the full extent of the contract's coverage."

¹ From a speech given by Mr. Fanning at Yale Law School, New Haven, Connecticut, April 25, 1959.

² *NLRB v. Hopwood Retinning Co., Inc.*, 98 F 2d 97 (1938).

Violation Is in the Contract Itself

If a contract vests exclusive control of the hiring process in the union and does not include the above-mentioned safeguards, the violation has already been committed. In taking this position, the board is attacking the coercion which the contract *makes possible*, quite apart from the coercive activities that actually result.

The new board decision makes this very clear. It expressly overrules two earlier decisions¹ in which the reimbursement penalty was based upon a specific illegal act—the transfer of dues payments. The board's statement is this:

"In our opinion, the existence of an unlawful contract is sufficient in and of itself to establish the element of coercion in the payment of monies by employees pursuant to the requirements of such a contract."

COERCION AGAINST REFORM GROUPS

The case does more than throw additional light on union hiring halls as authorized by labor contracts. It also shows how existing board rules have a bearing on the struggle by a minority within a union to effectuate basic reforms.

The labor board found² in 1957 that a union had been operating a hiring hall which amounted to an illegal closed shop, and a federal circuit court enjoined the illegal activity. In the present case, the board found that the identical closed-shop arrangement was still in operation and was the central issue of the charges brought by a reform group.

The board has ruled that the series of acts by which the ruling group denied job opportunities to the members of a reform group were themselves violations of the Taft-Hartley Act. In explaining this element of the case, it noted:

"... union President DeKoning told reformer Wilkens, who had inquired as to why he couldn't get work, 'You'll work when you stop going to the NLRB and stop fighting us in the courts'."

This, said the board, was an illegal restraint by the union upon the rights of the members of the reform group to engage in their kind of union activity, rights specified in the Taft-Hartley Act.

The illegal pressure came in various ways. In some instances, an available job was refused the reformer. In other instances, when he found his own job, the union refused to approve his hiring and brought pressure on the employer to transfer or discharge him. The same incident could amount to a violation by both the union and the employer: the union because it pressured the employer to do the illegal act; and the employer because he carried it out.

In another violation of the law, the union engaged in strikes to compel employer compliance in some

¹ *Farnsworth and Chambers*, 122 NLRB No. 41; *Rochester Davis-Fetch*, 122 NLRB No. 38.

² *Nassau and Suffolk Contractors Assn., Inc.*, 118 NLRB No. 174.

situations. Still another union violation listed by the board was the administration of life insurance benefits so as to deny them to men working under special union permits, while making them available to regular union members. Life insurance premiums were paid out of a welfare fund to which employers contributed 5% of their total payroll.

Employer Not Excused

The situation that confronted the board in this case required consideration again of a question which has arisen a number of times: In terms of the Taft-Hartley Act, is an employer really culpable when a union is exerting pressure upon him to force him to engage in certain illegal conduct? The board had already declared illegal the use of pressure by the union to induce the employer to fire one of the reformers.

The labor board said:

"It has long been held that when an employer discharges or otherwise discriminates against an employee because of pressure exerted by one of two competing union factions, the employer is guilty of a violation . . . even though it had no antiunion motivation and acted only to protect its economic interests."

Remedies Ordered by the Board

The interference and discrimination practiced by either the union or the employers against the members of the group were the subject of the usual board remedies. For example, employees unlawfully discharged were ordered reinstated. Also, the union was instructed to inform all the employers involved in the case that it no longer had any objection to the employment of members of the reform group.

Both the union and the employers were declared jointly and severally liable for the back pay lost by the employees as the result of the illegal activities. On this item, various methods for computing the liability were ordered to be used. With respect to some of the employees, back pay was computed from the date of discharge to the date when reemployment was offered, or to the date when the particular employee would have been normally terminated, less any net earnings of the employee during that period. In another case, back pay was computed up to the time the union notified the employer that it no longer objected to the employment of a particular individual.

As indicated earlier, the reimbursement costs can be heavy, depending on the period of time for which the restitution to the employees must be made, and how many employees are involved.

This case is an illustration. According to present estimates, the reimbursement that must be made to the more than 1,000 members of the union will involve a total of over \$300,000.

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Food Purchasing Power of Workers in Twenty Cities

ONE OF THE FACTORS that enables the American worker to maintain his high level of living is the high level of money wages in this country. But the real value of wages can only be assessed in terms of their purchasing power—that is, the amount of goods and services that the worker can buy with his money. For this latter purpose, money wages must be restated by taking into consideration the level of prices of consumer goods and services.

Although a decline in the purchasing value of the dollar has taken place lately, the American worker is still able to provide his family with a large quantity and range of goods and services. That the over-all level of living is high is a point that has been made frequently. But much less attention has been given to the geographic differences in purchasing power. Is the purchasing power of workers in different cities throughout the country equal or nearly so? Are comparatively low wages in a particular city compensated for by a correspondingly low price level, thereby giving the worker a purchasing power similar to that of workers in higher-wage cities? Or, do workers in high-wage areas consistently have an advantage over workers in areas where wages are lower?

Level of Earnings

Although the average American production worker in manufacturing earned \$2.19 an hour in December, 1958, a considerable intercity difference in wage levels exists. (See Table 1.) Out of twenty cities, hourly earnings ranged from a low of \$1.69 in Scranton to a high of \$2.80 in Detroit. Detroit workers, thus, earned 28% more than the "average" United States production worker and 66% more than the Scranton worker. (That the differences in level between these two cities can probably be explained by the differing nature of industrial employment is not germane to the measurement of purchasing power.)

Wages in each of the twenty cities, with the exception of Scranton, Atlanta and Boston, were as high as or higher than the United States average. There are two apparent reasons for this lopsided distribution around the average. Generally, average hourly earnings are higher in large standard metropolitan areas than in smaller cities and towns—which are included in the United States average. And, secondly, the New York area with its large labor force exerts considerable

influence on the national average. Average hourly earnings in this city were \$2.19—the same as the national average and only 92% of the twenty-city average.

Average hourly earnings of production workers in the twenty cities amounted to \$2.38 in December, 1958. In this context, Detroit workers earned 18% more than the twenty-city average. And wages in Pittsburgh and San Francisco were also considerably above this average.¹

Work-Time to Buy Food Items

Purchasing power can be roughly measured by dividing the average hourly wage into the price of an item, thus obtaining the number of minutes of labor required to make the purchase. Even so, this serves only as an indication of the magnitude of intercity differences, since buying habits vary.

¹ As already suggested, the type of manufacturing industries in each city determines, to a large extent, differences in wage levels. It is not the purpose of this article to examine wage differentials, but one should realize that the group of workers is homogeneous only in the broadest sense.

Table 1: Average Gross Hourly Earnings of Production Workers in Manufacturing for Twenty Metropolitan Areas, December, 1958

Cities	Hourly Earnings	As % of U. S. Average	As % of 20-City Average
United States average	\$2.19	100%	92%
Twenty-city average ¹	2.38	109	100
Atlanta	2.01	92	84
Baltimore	2.33	106	98
Boston	2.17	99	91
Chicago	2.46	112	103
Cincinnati	2.30	105	97
Cleveland	2.55	116	107
Detroit	2.80	128	118
Houston	2.42	111	102
Kansas City, Mo.	2.38	109	100
Los Angeles	2.47	113	104
Minneapolis	2.32	106	97
New York	2.19	100	92
Philadelphia	2.24	102	94
Pittsburgh	2.72	124	114
Portland, Ore.	2.44	111	103
St. Louis	2.33	106	98
San Francisco	2.65	121	111
Scranton	1.69	77	71
Seattle	2.52	115	106
Washington	2.38	109	100

Sources: Bureau of Labor Statistics; THE CONFERENCE BOARD.

¹ Weighted by number employed in manufacturing.

From the list of food items in Table 2, it can be seen that intercity differences in the amount of work-time required do exist, even with the purchase of a single item. Over all, Detroit and Pittsburgh are clearly in the most favorable position, while Scranton and Atlanta, in contrast, are generally in the least favorable.

The largest differences are found in the purchase of meat. To buy a pound of veal cutlets, for example, twenty-eight minutes of labor were required in Detroit, whereas forty-eight minutes were necessary in Scranton. A difference in work-time of ten minutes or more occurred in ten out of seventy-two other food items examined. The items include five meats, butter, oranges, potatoes, coffee and shortening. In most cases,

Scranton workers had to work the longest and Detroit workers the shortest length of time to obtain the items.

It took Pittsburgh workers the least amount of time to purchase oranges and potatoes, and the same amount as Detroit workers to buy bacon, coffee and shortening. Minneapolis workers could buy potatoes in as short a time as Pittsburgh workers. Cleveland workers could purchase two meat items in the shortest length of time. Houston workers had to labor ten minutes longer than Minneapolis and Pittsburgh workers to buy potatoes; in Seattle, the same amount of time in Scranton was required to buy oranges. These are the extremes, however. Work-time in other cities varies

Table 2: Work-Time Required to Buy Selected Food Items, December, 1958

In Minutes

Item	Unit	Atlanta	Baltimore	Boston	Chicago	Cincinnati	Cleveland	Detroit	Houston	Kansas City, Mo.	Los Angeles
Flour	lb.	17	14	14	13	14	13	12	13	13	14
Bread, white	lb.	6	5	5	4	5	5	4	4	5	6
Round steak	lb.	32	20	34	22	27	23	21	25 ^a	25	28
Hamburger	lb.	16	16	16	14	15	12	12	14	15	19
Veal cutlets	lb.	38	40	34	30	36	30	28	29 ^a	29	39
Ham	lb.	20	18	19	16	17	17	15	17	17	16
Lamb, leg	lb.	26	20	22	18	23	19	17	23	22	18
Milk (not delivered)	qt.	8	7 ^b	7	6	6	5	5	6	5	6
Ice cream	pt.	9	9	8	7	8	7	7	8	7	6
Butter	lb.	24	20	21	18	20	18	16	20	19	16
Eggs	doz.	18	16	17	14	15	14	12	16	14	14
Orange juice conc, froz.	6 oz.	9	8	8	7	8	7	7	7	7	7
Apples	lb.	4	3	3	4	3	3	3	5	3	4
Oranges	doz.	15	16	18	18	14	15	16	20	21	19
Potatoes	10 lb.	16	13	14	15	14	12	12	21	15	20
Tomatoes	lb.	8	7	8	8	10	9	8	8	8	6
Coffee	lb.	27	23	24	21	22	20	19	20	22	20
Shortening	lb.	30	24	26	21	23	22	21	22	24	24
Margarine	lb.	8	8	7	7	8	7	6	7	7	7
Sugar	lb.	17	14	15	14	15	14	13	13	15	14

Item	Unit	Minneapolis	New York	Philadelphia	Pittsburgh	Portland, Ore.	St. Louis	San Francisco	Scranton	Seattle	Washington
Flour	lb.	14	15	14	12	16	13	15	19	15	14
Bread, white	lb.	5	6	6	4	6	5	6	8	6	5
Round steak	lb.	24	31	33	23	25	27	27	39	27	29
Hamburger	lb.	14	13	15	13	14	15	12	21	13	14
Veal cutlets	lb.	32	42	44	32	31	35	32	48	32	41
Ham	lb.	17	19	18	15	16	17	16	23	17	18
Lamb, leg	lb.	21	20	21	18	19	22	18	27	20	20
Milk (not delivered)	qt.	5	8	8	6	6	5	5	10	6	7
Ice cream	pt.	7	9	8	8	8	8	7	12	9	8
Butter	lb.	18	20	20	17	18	21	18	26	18	19
Eggs	doz.	13	18	16	14	15	15	14	21	15	17
Orange juice conc, froz.	6 oz.	8	8	7	6	8	8	7	10	7	8
Apples	lb.	4	4	4	2	3	4	3	3	4	3
Oranges	doz.	20	20	17	12	20	18	17	22	22	13
Potatoes	10 lb.	11	12	14	11	13	15	16	14	13	13
Tomatoes	lb.	8	8	8	7	9	8	6	9	9	8
Coffee	lb.	22	24	24	19	20	23	20	30	21	22
Shortening	lb.	23	25	26	21	23	24	23	32	22	24
Margarine	lb.	12 ^c	8	7	6	7	7	7	10	8	8
Sugar	lb.	15	15	15	13	16	15	13	20	15	14

Sources: Bureau of Labor Statistics; THE CONFERENCE BOARD

- ^a Includes baby beef
- ^b Nonhomogenized
- ^c Uncolored

Some Cautions on Purchasing Power Comparisons

The twenty cities included in this study were selected because they are the only ones for which average price data for a large number of food items are available from the Bureau of Labor Statistics. If comparable data for more cities were available, the ranking of the cities might very well be different.

In compiling its consumer price index for the United States as a whole, the bureau collects, and includes in it, food prices for twenty-six other cities, but does not publish them separately. The forty-six cities in the BLS survey were chosen from a larger number of cities as best representing cities of all sizes in all regions and climates. Income levels, as well as other classifications, were also considered in designing the sample. Very likely, the availability of price data prior to the 1950-52 BLS revision of its CPI conditioned the selection of the twenty cities for which average prices and individual indexes are published currently.

Although all twenty cities are large in the sense that each has a population of over a quarter of a million, only four of the cities (Seattle, Portland, Atlanta and Scranton) have under 750,000. And Scranton is the only city in which the population is under 500,000.

This study pertains to the purchasing power of production workers in manufacturing only. Consequently, the purchasing power of other industrial groups in the same city may not be depicted at all in the averages shown. In terms of the number employed in nonagricultural fields, manufacturing is the largest industry in

all but five cities. In three of these—Atlanta, Portland and San Francisco—employment in trade outranked employment in manufacturing in 1958. Although a breakdown by industry is not reported by BLS for Houston, according to the 1950 census, trade was the major industry in that city. However, in these four cities, over 20% of the nonagricultural working force was engaged in manufacturing. In Washington, D. C. manufacturing is of minor importance, comprising less than 5% of the industrial labor force. Therefore, the purchasing power of these workers is not representative of a large segment of the population in Washington.

The cities also differ in the labor market situation. At the end of 1958, Detroit and Scranton were the only cities in which 12.0% or more of the labor force was unemployed. Scranton, however, is the only city in which unemployment levels have remained consistently above 9.0% for more than three years.

The hourly earnings data collected by BLS refer to before-payroll-deductions and include pay for overtime and late-shift work. Irregular bonuses, retroactive items and welfare benefits are excluded.

Hourly earnings for the cities are based upon the 1957 Standard Industrial Classification system, with the exception of Chicago which is still classified under the 1945 SIC. The national data are also classified under the 1945 system. However, the bureau reports that the change in classification has little effect on the levels of earnings.

often the same as in Detroit, but only occasionally as high as in Scranton.

The differences become even greater as more purchases are made. To illustrate the degree of difference, a weekly meat bill was compiled for four cities—Detroit, Scranton, San Francisco and Baltimore. For purposes of comparison, the same quantities were used in each city. (These quantities were derived from consumer prices for food as reported by the Bureau of Labor Statistics by combining December, 1957 United States relative importances and December, 1958 average prices.)

In Detroit, two hours and ten minutes of work-time were required to purchase a week's supply of meat. In San Francisco two hours and twenty-six minutes were needed; in Baltimore, two hours and thirty-seven minutes, while in Scranton three hours and thirty-one minutes were necessary. The cost of the meat bill was very similar in these cities, except for San Francisco. Baltimore's bill was 1.0% higher than Detroit's, while Scranton's was 1.9% lower. In San Francisco, meat prices were 6.9% higher than in Detroit. In the case of Baltimore and Scranton, lower earnings were almost entirely responsible for the difference in purchasing power. If San Francisco's price

level had been lower, the purchasing power of workers in that city would have been closer to Detroit workers'.

Detroit workers had to spend 5.5% of the week's working hours to purchase meat. Workers in San Francisco had to spend 6.2% of their working time to make a similar purchase. In Baltimore, 6.4% of working time had to be devoted to purchase meat, while in Scranton 9.3% of working time was necessary. Scranton workers, of course, could reduce the quantity of meat they bought, or, more likely, purchase only the lower-priced meats in order to lessen the amount of work-time needed. Although Detroit workers had an advantage over their counterparts in other cities, this might very well disappear when they purchase other items.

To Buy a Meal

In order to compare the food purchasing power of city workers by a more exact standard, a meal was planned for a family of four. The meal includes swiss steak, baked potatoes, frozen peas, bread and butter, milk, and canned peaches for dessert. Items such as coffee, lettuce, and salad dressing, which might normally be served with such a meal, were excluded because the cost of four portions is negligible.

The average United States worker required seventy-eight minutes of work-time to buy this meal in December, 1958. In Scranton, 105 minutes were needed, whereas in Detroit only fifty-nine minutes of labor were necessary. In other words, Scranton workers had to labor one-third longer than the average United States worker, and three-fourths longer than a Detroit worker to buy the same meal. Atlanta, Boston, New York and Philadelphia workers also required more work-time than the average worker, even though it was no more than ten minutes.

Cities in which the meal could be purchased in under seventy minutes of work are: Chicago, Cleveland and Pittsburgh (sixty-three), Los Angeles and Minneapolis (sixty-six) and Kansas City and Portland (sixty-eight). Baltimore, Cincinnati, Houston, St. Louis, San Francisco, Seattle and Washington all required between seventy and eighty minutes of work-time.

This would seem to indicate that workers in cities with high earnings do have more purchasing power than workers in cities where wages are lower. The three cities with the lowest earnings (Scranton, Atlanta, and Boston) also required the most work-time to purchase the meal. And the two cities with the highest earnings (Detroit and Pittsburgh) required the least amount of time.

What About Price?

To what extent did the price level in each city affect the purchasing power of the worker? Since the spread

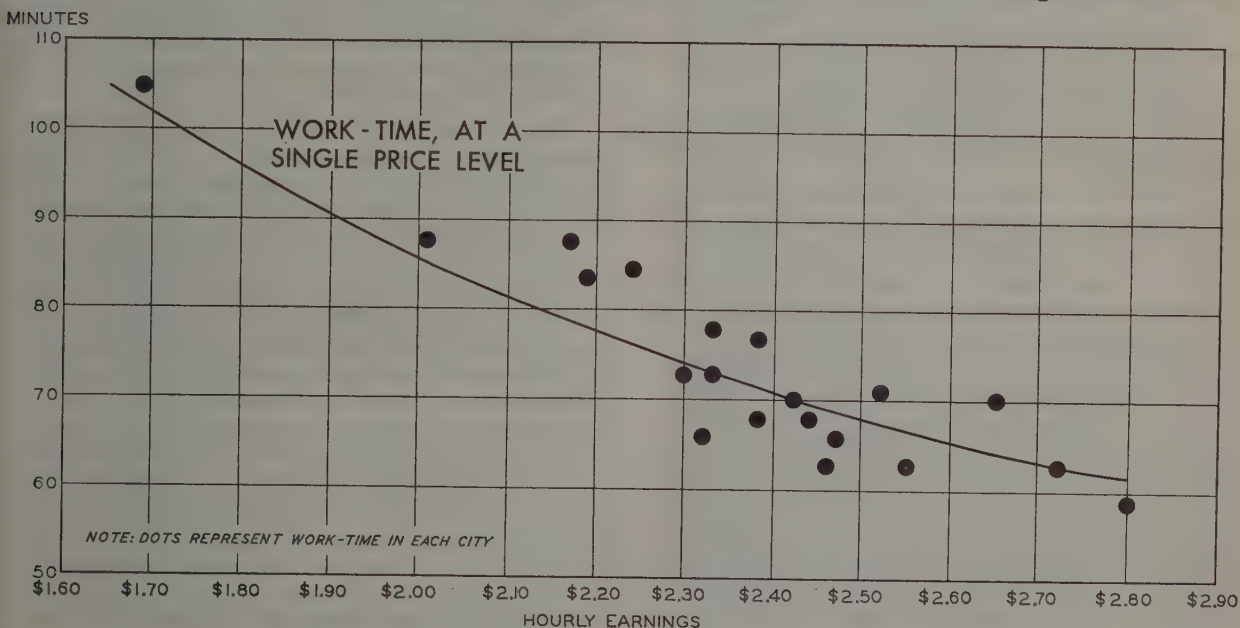
between prices is not as great as the difference in wages, in most cases prices did not influence purchasing power to any significant degree. The cost of the meal ranged from \$2.56 in Minneapolis to \$3.20 in Boston, a 25% difference. The Boston price level was 13% higher than the national level, whereas prices in Minneapolis were 10% lower than in the United States as a whole. These ranges are not nearly as large as the range in wages.

Another reason for the seemingly predominant influence of wages on purchasing power is that prices were generally higher in the cities with the lowest wages. Eight of the eleven cities with the lowest hourly earnings were among the eleven cities with the highest prices. Their positions in purchasing power, therefore, were very similar to their ranking in earnings and prices.

In four cities, prices outweighed the level of wages. Workers in Kansas City and Minneapolis, two of the eleven cities mentioned above, had a high degree of purchasing power because of low price levels. On the other hand, purchasing power in two high-wage cities was significantly affected by high price levels. San Francisco, which ranked third highest among the cities in earnings, also ranked third highest in cost. In this city, workers had to spend seventy minutes to purchase the meal, or longer than workers in nine other cities. Seattle workers, with high hourly earnings, had to spend more work-time than workers in six other

(Continued on page 263)

Work-Time Required to Buy a Meal at Individual City Price Levels and at a Single Price Level*



* The curved line represents the work-time required to buy a meal at a single-price level at various levels of hourly earnings. The

dots represent the actual price level and the average hourly earnings in each of twenty individual cities.

Recruiting, Selecting, and Developing Personnel for Foreign Operations

Companies with overseas operations invest a great deal of time and money in staffing their foreign branches and affiliated companies. In selecting Americans to go abroad, for example, they must consider other factors besides a person's experience or his vocational aptitude and training for a job. What, for example, is his adaptability to a foreign climate and culture? And is his family apt to be happy in a foreign environment?

But selecting the American to go abroad is only one aspect of choosing personnel for foreign operations. Many companies actually have few Americans among the personnel of their foreign affiliates. Instead, they recruit, train, and upgrade nationals to manage their operations. As a result, management development of nationals is an important aspect of a company's international personnel work.

The techniques used and experiences encountered by three companies in staffing their foreign operations are explained by the following three Round Table participants:

- C. R. P. Rodgers, Assistant Vice President, Overseas Division—Personnel, The First National City Bank of New York
- W. H. C. Lehmann, Employee Relations Manager, International General Electric Company
- W. R. Jeeves, Vice President and Director of Overseas Operations, Parke, Davis & Company

Robert J. Dixon, Chairman and President of Johnson & Johnson International, presided as Chairman of this Round Table discussion.¹

CHAIRMAN DIXON: The subject we are to discuss is a double- or triple-barreled affair for many companies that are engaged in overseas operations. I say this because in so-called overseas or foreign operations companies are concerned with two and sometimes three groups of employees. There is the employee who is a United States citizen and is sent from this country to work in a foreign land; there is also the foreign country's own national, who is assuming more and more importance in management positions within United States foreign companies; finally there is the employee who is a national of a country other than the United States or the country in which the operation is located.

My company [Johnson & Johnson International], for example, has been engaged in overseas operations in

one form or another for almost a half century. With very few exceptions we have followed a policy of encouraging the development of nationals to assume the responsibilities of managing and directing our various companies abroad. It is interesting to observe that over this fifty-year period we have not had more than about a dozen Americans permanently stationed abroad. Actually, as we gain in experience, the number of Americans assigned to overseas posts is minimal. As of today we have but three in a complement of about 7,000 employees.

We all know it is important to choose the right representative to send overseas. We want someone who will be a good foreign ambassador for his country as well as for his company. We want someone who will fit into an overseas culture, but we do not want this individual to absorb the foreign culture to the extent that he forgets that he is working for the interests of a United States company, nor, might I say, are we interested in someone who takes three years to hang up his camera.

Do we have different standards, therefore, in selecting people for overseas assignments? What are the criteria used in recruiting and selecting nationals for positions of responsibility?

The problem of recruiting, selecting and developing personnel for a foreign operation is very closely allied to the successful utilization, protection and development of overseas investment. So much has been said and written in recent months about the challenge confronting us and our responsibility in meeting this challenge and in all aspects of overseas economic activity that it is no doubt redundant for me to again emphasize this point. But I believe it is worth restating, if it will help remind you how important it is to our national interests to generate an increasing flow of private investment abroad. The day-to-day faith, as well as the future of the indigent nations of the Middle East, Africa, Asia and South America, is contingent upon the success or failure of these areas to raise their pitifully low standard of living. Their need for outside help is desperate. This last year has shown increasing evidence of the willingness and determination of the Soviet bloc to capitalize on this need. We must match, indeed surpass, the Soviet effort at every turn. Dealing with the methods and means of meeting this

¹ Held at the Forty-Third Annual Meeting of THE CONFERENCE BOARD in New York City.

challenge, no one has more clearly stated what is expected of American capital than President Eisenhower in his recent Seattle address when he said, "The resources of American private capital are far larger than the amounts which our government can provide. Most of the productive talent and resources of our society are in private hands.

"Our strength lies in the diversity of private individuals, organizations and interests and in the quality of their technical skills, their imagination and their initiative. If this country is to be of greatest help to less developed countries, therefore, its private resources will need to be drawn upon to the greatest extent possible."

Most of us who devote our business and a good deal of our private lives to international commerce, trade and business believe that the challenge is critical. The need for expanded American private investment abroad is greater today than ever before. The American investor and businessman are among the most potent forces for peace. The opportunities are fruitful; the obstacles difficult, but not insurmountable.

I shall not attempt to be specific, but clearly the recruiting, selection and developing of personnel for foreign operations is the insurance through which our overseas investments will be protected, secured and their use most profitably applied.

The First National City Bank of New York Program

—By C. R. P. Rodgers—

BECAUSE of the nature of the banking business, the effectiveness with which we are able to serve business enterprises in foreign countries is the direct product of the personal abilities, the knowledge and the judgment of our personnel abroad. The success of The First National City Bank as a commercial bank will be directly affected, therefore, by the recruitment, the selection and the development for further responsibilities of the nationals of the country where we are, as well as of the Americans we send to these countries.

First let us look at recruitment. Where do we find the people whom we send abroad from this country?

We go primarily to the universities and to the liberal arts colleges. Because their training is not what you would basically associate with the banking business, liberal arts colleges may be the last place you would expect us to find candidates. But we are searching for people who have been taught to think independently—because problems that face us are continually changing. There are new companies growing within various

industries; older companies are developing new products. And all bring new financial problems to the banker. Therefore, a bank needs people who have been taught to think individually, imaginatively, and creatively.

It is for this reason we look to the liberal arts schools. Although we seek other qualities, the ability to think is of basic importance.

We also go to the professional schools such as the graduate schools of business administration. And we go to the American Institute of Foreign Trade in Phoenix, Arizona.

We look to the professional school to give us a good geographical cross section of people that would be impossible for us to cover in any other way, as well as for the additional technical knowledge they impart.

To a large degree, we approach schools through our own officers and through our young employees who are recent graduates of these schools. We have found that the personal contact these people have with men in the schools as well as with young men who are personal acquaintances gives us additional knowledge of the individual who is being recruited.

THE SELECTION PROCESS

In selecting candidates, let us consider first what we are looking for. As already mentioned, one quality that we seek is intellectual capacity. However, we are not looking for the genius who may be inclined to be intolerant of his fellows with less mental equipment. Instead, we are seeking people with good character, integrity, and personal leadership qualities.

Businessmen look to bankers for help with their financial problems. Therefore, the individual selected for the banking business must be one who has already earned the respect of his peers. In our selective process, we rely primarily on a series of interviews in New York conducted by about six senior officers in the Overseas Division. One of these officers is the executive vice-president in charge of the division, or his deputy. As the candidates pass through various levels of screening, they must receive the favorable comment of this entire group.

THE TRAINING PROCESS

We have no pat training program. Instead, we tailor the training of each man to his education and experience and to the qualities which he brings us.

For instance, the man with a liberal arts education often lacks the mental discipline of accuracy, thoroughness, and attention to detail which is so necessary to a successful banker. Therefore, his training must include this type of exposure. If he is unable to acquire such qualities, we want to learn this fact at an early date.

On the other hand, we presume that the man who has had a two-year graduate course in business administration has acquired these qualities. We also presume that he has, in his studies, acquired a certain

knowledge of what a bank does, so it is more our problem to teach him how we do it and who does it rather than to show him what we do.

In this country we assign men to various operations which may give them the mental disciplines they need and which will expose them to various facets of the banking business. We want to learn whether a man is curious and inquisitive enough to dig into the various aspects of the business from the exposure given to him. Nobody tells you and me when we come in to work exactly what we are going to do each day. We work under various broad directives. The discipline of our time is our own. We want to learn if these men have these qualities at an early stage—whether they dig into aspects of the business not immediately before them.

We complement specific job training by a three-week lecture-conference program in which the functions and mission of each division of the bank are explained by the officers most closely identified with the various levels of responsibility.

Bank operation training is supplemented by language training which we feel is most important for anyone going to a non-English speaking country. As a service organization, we are guests in foreign countries and we feel we should be able to speak the language of the countries in which we are located. We have found that until a man is fluent in a foreign tongue, he is a relatively unproductive agent in that country.

The assignment of men to posts abroad is determined after their specialized training in this country. They are judged on reports from their supervisors, on their ability to learn the language, and on their general demeanor and desire to go abroad.

Once they arrive in a foreign country, these employees work in each department of the bank or branch in order to become thoroughly familiar with the foreign operation.

TRAINING THE NATIONALS

Nationals of countries in which we have branches are employed for similar training on much the same basis as the American employee. We seek the same type of college graduate abroad and we use the same selection and training process. Emphasis is placed on work assignments and the individual is closely rated not only by his supervisor but by a training officer.

The further development of these men as they proceed to positions of official responsibility is supplemented by management development materials, which are furnished to the foreign branches from New York. These materials include lecture courses in various fields, seminars in credit problems at various levels, seminars on the money market, and seminars on international banking.

Another practice is to bring the local staff trainees

to this country for head office training. Some are brought to New York for as long as a year. Others who are more advanced in the official level come for specific training periods of two to three months.

We have found it helpful to these people to observe the head office applications of the transactions which they are initiating in the branches, and to travel through industrial America for two to three weeks, visiting the head offices and the plants of the various companies whose subsidiaries they deal with abroad.

There is a prestige element involved in this practice which also is significant. This element is the importance and dignity given to these persons in the eyes of their fellow men when they are brought to the States.

All these programs are well and good and we are quite proud of them, but most important is the training climate provided by an actively interested top management, which permeates all levels of management with the importance of their responsibility for development of their staff.

International General Electric Company Program

—by W. H. C. Lehmann—

IT IS SAID that it takes all sorts of people to make a world and how true that is. We wonder why one individual in the overseas operation can do a successful job day after day, year after year, and apparently enjoy it, while another person lasts in an overseas job a comparatively short time. And during that time he is usually dissatisfied and wants to get out.

Here are two people with similar education, training, location, and work experience. Why do they behave in different ways in similar situations? We feel that here is the key to the successful recruiting, selection and personnel development of people in overseas work. Maybe what we have overlooked in recruiting, in selection, and in the development of people is an ever-present human element that may be called the total human equation.

What a man eats, or thinks of foreigners, or does in his leisure time may seem irrelevant to the job performance here in the United States. For overseas work, however, his personal makeup, his personal traits or total characteristics and attitudes—those qualities most difficult to appraise or evaluate or measure—have important bearing on his chances for success. They have as much bearing on his success as his education and his technical experience and capacity which, I believe, we emphasize too much.

If the selection tools are at our disposal, we can take

a more scientific approach and reduce to a greater degree these costly failures. By means of more accurate prediction of performance and more careful training of the United States employee before he is sent overseas, and by developing individual programs for the local employees, we can provide better qualified candidates for top positions and reduce the human failures.

Personnel recruiting for overseas work doesn't seem to us as difficult a problem as that of selection. Recruiting is an activity that must be organized, planned, and continuous in order to develop and provide an adequate manpower pool of qualified overseas candidates with respect to education and experience.

Our recruiting sources for overseas personnel are several. First, we draw on qualified personnel from our own International General Electric system. We have about 1,600 in New York and about 18,000 overseas, including Americans and nationals. Of the 18,000, only an approximate 250 are Americans, in line with our policy of using as few Americans as possible to run our organization abroad.

Our second source for people is the group of outstanding employees from our domestic company's training programs. I refer primarily to the younger ones coming into overseas work from the training programs such as the business course in banking, finance, or commercial work, the manufacturing training program, the marketing training program, the public and employee relations program, and many other company-wide programs.

The third source is outstanding graduates of accredited colleges and graduate schools of international trade and foreign service.

A fourth source is outstanding people from within the General Electric Company. I say "outstanding" because these people usually have been with the company three to four years and we have learned whether or not they are outstanding and ready for jobs of increased responsibility.

A fifth source might be called gravity—personnel who come to us right off the streets and who qualify well insofar as education and experience are concerned. (I shall point out later, however, that this may mean little in selecting the people for overseas.)

Top management personnel comprise the next source. If we are looking for top management people for our affiliated companies, we have available the personal inventory systems of each similar function in the domestic company. An example is the marketing function, for which more than 10,000 names are completely inventoried with personal data, background, education and experience. The selection is by a card inventory process, whereby a machine quickly identifies those people who are qualified for a particular job. For example, it indicates what people have the language qualification. (We may have in the group some nationals that have come here to work in the

domestic company and are now ready to go some place else.)

Finally, we have recruiters who constantly look for and screen candidates from the undergraduate and graduate colleges.

Because our company is large, it does not follow that the plan I am presenting to you cannot be carried out in a smaller way by a smaller company.

SELECTION

The best approach to selecting potentially successful personnel is to analyze a company's turnover. Why do people fail in jobs? Overseas turnover of Americans is terrifically expensive in terms of actual dollars, in time spent for training, education and development of these people, in transporting them and their families and household effects and automobiles.

In a recent study of our overseas turnover for ten years, we found that the great percentage of turnover was due not to uncontrollable factors such as deaths, retirements, and illness, but to controllable factors such as resignations and dismissals. We found that turnover factors could be classified as follows: (1) factors inherent in the work situation such as dissatisfaction with the pay, with the working conditions, and the supervision; (2) factors inherent in the employee, such as lack of emotional control, lack of flexibility, inability to adapt to the cultural environment, lack of inner resources, lack of maturity, and inability to make friends; (3) factors inherent in the environment such as food, language, climate, sanitation, medical facilities, educational facilities, unfriendly attitude of the country's nationals toward Americans.

In the reasons given for individual failures, only four of the total separated personnel failed in overseas assignments because of inadequate education or experience. The remaining failures, which mount into three figures, were caused by personality failures in the human equation—consisting of those physical, mental, and spiritual factors that confront people in the overseas assignment.

This total human equation—what makes this person tick—is the thing that we should study more after we have the prerequisites of education and experience. We find that we must stress more for overseas assignments than for operations here in the States the personality characteristics or traits of the individual. This need probably stems from the training and difficulties imposed on the individual adjusting to a new environment.

The background of these human factors is important both in the candidate and in his family. A family may manifest satisfactory characteristics and traits in the home environment in the United States. But when forced to make an abrupt change in language, in culture, in living conditions, in climate, and in working associates, frequently families display for the first time

basic defects in their total human equation and in their total personalities. Ethnocentrism of the family unit contributes to the employee's failure.

The lack of proper traits in the overseas employee and/or his family may show up in several ways—financial irresponsibility or alcoholism, for example—that lead to job failure and contribute to the turnover problem of the company.

Basis for Selection

How do we pick people who not only have technical competence but who have the flexibility, the emotional maturity and control that will make them successful in overseas work?

Our selection procedure begins with an estimate of our future needs, an estimate based on what the affiliated managements require. These managements give us job descriptions and job specifications based on their needs.

Our home staff then prepares a job description of the general responsibilities and the specific qualifications needed for the jobs, and we identify possible candidates with these requirements. Candidates are chosen from the various sources listed earlier. A person may be nominated by our general managers or presidents of affiliated companies and by our International Electric Company executives who travel overseas visiting affiliated companies.

We have an inventory card for every American-born employee abroad and also for all outstanding nationals. These cards list the educational and working background of the individual and, also, the appraisals by their supervisors.

Once we have selected likely candidates that match the job needs, we initiate a reference checkup. This is accomplished by a credit check and sometimes by a security check. We also try to investigate the candidate's job performance. We talk to his present supervisor.

After summarizing all the information about a candidate, we administer tests to help clear up any areas that are not so easily measurable as physical characteristics, experience, and education. We try to learn a person's ability to get along with people, his emotional stability, etc., as well as his economic and cultural interests. And we try to learn a person's mechanical and scientific interest in our type of operation.

TRAINING AND DEVELOPMENT

We tailor individual programs for training and development of people. The program is determined by the voids in a person's background as shown on the individual inventory card that we have for every American in foreign service and for every outstanding national selected by local management as a managerial candidate. We ask the general manager or president of the particular foreign company concerned to give us

what he considers necessary to prepare and develop the individual candidate for a better job. Someone who is expert in finance may need a course in marketing, or vice versa.

Employees in these categories are rated every twelve months. Should they not be promotable within a year or two, we ask "What about this fellow?" So we investigate. We urge our overseas management to influence these people to do all they can to further themselves in their careers.

One means of employees accomplishing this measure, for example, is to avail themselves of courses sponsored by the company and taught by instructors who have attended seminars at the General Electric Company's school in Crotonville, New York, in order to learn how to bring the subject matter to people in the affiliated companies. Such courses might be in product planning, marketing, manufacturing, or other subjects that would give employees of affiliated companies better job insight and knowledge.

In some cases outstanding employees, both national and American, are brought to the school in Crotonville from overseas. We have a quota set for people from affiliated companies and keep a watchful eye on likely candidates. We don't recommend that everyone take all the courses offered. Instead, we have certain courses for top management; some for middle management; some for third-level people.

An aid in this objective is a system of organization charts for our various affiliates. Shown on these charts are four levels of positions in the affiliate and the names of the individuals filling them. We continuously evaluate and appraise these persons to determine who are candidates for upgrading. We have various color codes for names used in these charts. For example, one color means "due to retire in two years"; another indicates that "this fellow needs to be replaced." Still another means, "changed on his job position; he is not performing his job satisfactorily."

This system may sound overengineered or mechanical, but it is not. The man in the field likes it; he knows he is not forgotten.

We move nationals quite frequently and make shifts between affiliated companies in different countries in order to give employees more of an in-service status. This results in nationals of one country interchanging with nationals of another.

Individual Approach Is Stressed

These organization charts showing progress of the individuals, the individual records of the person, and the individualized training and development illustrate our individual treatment of overseas employees. Our idea of implementing locally the education and training courses developed at our Croton school is a comparatively new concept. It enables an individual in Argentina, for example, to acquire the insight and

knowledge of eighty managers of product planning in our company in the United States. Such educative materials, of course, must be translated, modified and tailored to meet the particular local requirements of the affiliated company.

The Parke, Davis & Company Program

by W. R. Jeeves

IT IS QUITE SIMPLE to set up factories and manufacturing installations outside of this country, but it is not easy to equip them for efficient operation. Our company has gone through the usual cycle of evolution that apparently happens in international trade. You start off with an export department which becomes surprisingly successful and then you set up a foreign sales department. Next, you have an overseas division and, ultimately, an international subsidiary.

We went through several of those stages some time ago. But it is more recently that we have set up overseas installations instead of making our products in Detroit and shipping them abroad. We now have twenty semiautonomous overseas installations, where manufacturing, distribution and sales are covered on the scale followed in this country.

For many years we have attempted to follow a policy of completely staffing each separate foreign organization with nationals of the country in which it operates. That was and still is a good policy. In fact, it is even more important today because there are many advantages in identifying yourself with the country in which you operate, especially in view of the increased nationalism that has developed since World War II.

Our policy is also dictated, to a minor degree, by the fact that we, like other companies, have had disappointments and difficulties in sending United States citizens abroad. However, we have been unable to follow that policy completely because it is difficult to find potential executive material in some of the less developed countries. At present, among our 4,600 employees in foreign operations, we have eleven United States nationals.

Advice and planning for the recruiting, training and selection of foreign personnel is carried on by an overseas international personnel division in the overseas division of our company. Only three years ago we realized it was important to have such a unit and it has more than paid its way. It is a great help in every respect.

EXPATRIATE EMPLOYEES

When necessary, we have sent Americans abroad on specific short-term missions to train and assist local staffs. These Americans are usually technical experts or people with special administrative skills. In the rare cases that a United States citizen is sent abroad to assume an executive post in the foreign affiliate, it is usually with the understanding that he will be withdrawn when a local national has been trained to assume his duties.

The selection of such men requires great care primarily because the success or failure of a venture depends on the ability and performance of the top executive. This individual must be a superior type who manages the office and who not only handles the business end efficiently but who also does a good public relations job for his company and for his country. The latter duty, unfortunately, is becoming even more important today than it was before.

A man must have certain standards in his private life outside of his official duties for the company. He must maintain a standard that will not reflect upon the United States or cause repercussions disadvantageous to the United States policy in that area. Since the company has a considerable investment in locating a man and his family abroad, a substandard performance can be costly to the company.

Recruitment Sources

Whenever possible, we recruit future expatriates from our own domestic company because we then avoid the need for giving the employee extensive basic training in the company's business, procedures and policies and we can select men who have already established a good record with the company in job performance, work habits, etc.

In exceptional cases we may consider an applicant from outside our own organization. But because of the specialized nature of the drug trade, we have to recruit mainly from people who have a medical, pharmaceutical, or scientific background.

There is also a useful pool in our domestic organization to select from for the occasional spot in which we need a United States national. This group is comprised of young men who have voluntarily expressed an interest in working overseas. In this group we find it preferable to choose a man who has already been abroad and wants to go back rather than to choose one who is attracted by the so-called glamour of foreign residence gained from concepts in movies made in Hollywood.

Candidates are interviewed and screened on the score of personal character as much as capability. They are submitted to the usual psychological and health tests. Equally important, we attempt to assess the attitude and suitability of the candidate's wife for living abroad. We have had many disappointments

and have lost time, effort and money on that problem.

Job Training

If the general job qualifications are met, the future executive is given on-the-job training in the overseas division at the home office. He is given an operational desk which handles the routine details of the area to which he will be assigned, and he works under the direct supervision of the hemisphere director. He acquires knowledge about the area in which he is to work and about home office details concerning its operation. He also acquires a fair idea of what policy is, so that when he gets to his foreign post and questions of a local nature come up, he can usually provide the answers.

During the time the executive trainee is working at this operational desk, he will take special courses in general management, communication skills within the parent organization, etc., either by working with experts in the parent organization or by attending special seminars on the outside. He will be encouraged—although it is a problem to force him to do so—to acquire any language proficiency he may need, together with basic knowledge of the local historical and cultural background of the country to which he is assigned. He usually likes the latter but does not find the language especially easy.

It is considered of paramount importance that this executive be brought back to the home office for indoctrination at stated regular short intervals so that business can be discussed face to face. By the time this executive finally trains a national to replace him in the local assignment, he usually is good potential executive material for an administrative job in the overseas division of the home office. This on-the-ground experience in building up a home office in this country to direct overseas activities is probably one of the most important results of this system.

THE FOREIGN NATIONALS

The recruiting, selection and training of foreign nationals is more complicated and calls for more of our attention and effort than does the training of the American national.

But the employment of these people can be surprisingly successful if it is conducted carefully.

If we consider that our overseas operations consist of a number of separate national organizational structures, each modeled on our laboratories in Detroit in various stages of development, it is obvious we have to provide a source for the future development of department heads, manufacturing superintendents, and other managers for each separate local organization.

Progress has been achieved in this direction by setting up organization charts for each foreign entity. These charts are supplemented by executive grading and classification charts. They are primarily designed

for an executive development program but they also serve to control salary merit reviews.

In addition, we have in each separate local unit an executive development program patterned after the one employed by the parent corporation. These programs make it simpler to appraise the performance of likely younger individuals and mark the outstanding person for preferred attention and training. He is designated for a post in which he can be used as a replacement should the need arise.

These men who are marked for preferred training are given special job assignments along with their job training. They also are given opportunities to attend university courses, evening classes, seminars, etc., and their progress is recorded in the subsidiary as well as in the home office.

English Language Not Essential

It was apparent to us quite early that if we restricted our development of foreign national executives to those who knew English, we would be narrowing our choice. We did not realize this fact at first because home office executives, controllers and other company people want to get abroad and talk to the foreign personnel. We now find it is preferable to select the man for his character, his education, his specific technical training, or the other important attributes we are seeking, even if he does not speak English. If a man is not too old, it is not a difficult matter to give him the language requirement later.

Along this same line, I might point out that we have found it is not feasible to recruit people from foreign graduates of American universities. We interview such graduates who come to us but we tell them, if they are interested in employment with us, to contact our foreign operation in their country. Our local manager will interview and hire them, if they have the desired qualifications.

A program for the orientation, training, and development of the national is set up in the home office. By prior arrangement with local management and as part of the executive development program, young men in all areas of management are brought to Detroit for on-the-job training. If necessary, this training time is allocated to include English language lessons. The trainees are kept at the home office as long as is necessary, sometimes for two years. Rarely, however, does the time extend beyond a year. Trainees are given routine duties on one of the on-the-job operations desks described earlier for expatriate trainees.

No effort is made to Americanize these foreign nationals or to encourage them to want to stay in this country. But they are encouraged to learn as much as possible about the United States and the American way of life. We endeavor to have them live with an American family. It is part of their education to see the American businessman take off his coat after din-

ner, put on an apron, and wash dishes. You may be sure they don't do likewise when they go home, but it is part of their education on the United States scene.

The trainees are sent to Washington where they watch the Senate's procedures. This is all part of learning what makes this country tick. When they return home we want them to have not only a sound knowledge of Parke, Davis & Company but, also, a clear concept of what goes on in this country generally so they will always be proud of working for an American house, even though their subsidiary organization is purely national.

Reassignment to the Job

Our first hopes about the progress of a national selected for this American training are not always fulfilled and our judgment about the development and use of some individuals has to be revised. However, broadly speaking, when these men return to their territories they are equipped with valuable knowledge of policies and managerial and scientific techniques plus the broader viewpoints that residence outside of their own country gives people. And we have had a good opportunity to observe and appraise them.

Since the men are better educated and more qualified when they return home, it is important that they have waiting for them posts which have greater responsibility than the ones they left. If a specific post of greater responsibility awaits a man and he can fit into the organization at a higher level, we are more likely to avert the trouble caused by a young man's returning home with a swelled head and feeling himself a little better than his associates in the subsidiary.

Questions and Answers

QUESTION: If the choice of a United States candidate for a managerial position in a foreign country is between a man skilled in business operations of your type but without knowledge of the language of the country and a person who lacks the business training but is familiar with the language and the country, which would you choose?

MR. JEEVES: Naturally we would prefer the combination of both, but in our assessment of the requirements, the language consideration is secondary. Managerial and technical skills are the primary consideration.

QUESTION: Do you hire foreign nationals upon graduation from United States universities for overseas positions that are not in their own homeland?

MR. DIXSON: I should say that is common prac-

tice. We frequently find that such a graduate enjoys special qualifications for assignments in particular areas, providing that his mental attitude and viability have not been affected by his long stay and exposure in the United States. We find this may be a deterrent with some individuals—a long stay in the United States may actually disqualify him for assignment in particular areas abroad.

MR. JEEVES: That is true. If, for example, you engage a citizen of India in this country at United States salary rates and then transfer him to his home country and try to fit him into the economic structure of the Indian branch, you have a problem. But if he is engaged on the home site in rupees, then comes to this country for further training, you achieve the same thing without dislocating the local salary structure.

QUESTION: What problems develop when nationals are brought to the United States for training? Are many lost to United States industry? Do they get false ideas of United States standards of living and become critical of salary rates at the home base?

MR. LEHMANN: We try to keep the training period down to the lowest amount of time possible because we find that some foreign nationals get delusions of grandeur and fall in love with our way of life. We don't take them off the affiliated payroll. We just pay expenses so when they go back they are in the same category. We haven't had trouble, and I don't think you will have if you pick people carefully.

MR. RODGERS: Our experience in this area has been favorable. We have found it is broadening to the individual to come to the States; it gives him stature in his community. If anything, it enhances his loyalty to the organization. We have lost very few people as the result of this practice; we favor it.

MR. JEEVES: We have had mortality but it has not been for the reasons mentioned here. We have found that when the man gets back home he has been attracted by the better offers from our competitors. The key to this problem is: (1) to keep the person on the local payroll and give him a living allowance in dollars while he is here so his status is unchanged; (2) to have his eyes set on a post in his own organization at home that will be attractive enough to him to resist offers while he is here.

MR. DIXSON: American hospitality is usually generous and it is sometimes found that the visiting trainees, while being exposed to the way things are done here, may be spoiled by people who are not conscious of the effect of their actions and relationships with these visitors. Therefore, we must supply the proper leadership and guidance to make sure the individual is provided with the experience and learning that is intended and not with a lot of extraneous and less valuable forms of education.

QUESTION: If a foreign national with two years' experience in pharmaceutical marketing is brought to

the home office for training to equip him to take over the local managing director's job, what areas of training are utilized and what is the minimum time he is kept here for training?

MR. JEEVES: The time involved depends on the specific case. We will have one for six months, another for a year, etc. It all depends on the individual. The training is tailored according to the post the individual is to assume when he returns to his country. He is given an on-the-job training desk handling matters concerned with his area. The program is embellished by work in other departments or at specialized seminars and schools.

QUESTION: Does your bank provide any training in language and/or foreign culture for the wife of the executive you send abroad?

MR. RODGERS: We think it is important for the wife to have knowledge in three areas: (1) the language of the country; (2) the culture of the country to which she is going; (3) the reason for her husband wanting to go half way around the world to do what he is doing at home. We are still in the planning stage in some of the program for the wife, but we do pay for language training courses.

QUESTION: Do you find others who don't have your training facilities raiding you for personnel, overseas or otherwise?

MR. LEHMANN: Yes. This is the way of business life. There can be no better compliment to the General Electric Company than to provide good, talented men for other companies, if inevitable, but we try to make it attractive for our own people to stay.

QUESTION: Would you cite the approximate percentage of distribution of overseas failures (in your ten-year study) by the several major causes you mentioned, i.e., "rigidity of unit; pro-American bias; financial mismanagement; alcoholism, etc."?

MR. LEHMANN: Taken as a total percentage, 42% were incompatible to country; 18% could not adjust (rigidity) to cultural environments; 12% had financial difficulties; alcoholism accounted for 5%, while other causes were distributed in small percentages. Only 6% of the total were failures because of inadequate education or experience.

MR. RODGERS: Actually we made a study in the ten postwar years of all our Americans whom we hired to send abroad—the successful ones and the failures—with the hope that we would find a prototype. We checked background in terms of family; small town, big town, small college, big college, married, single, and so on, including why those who left had left, and we ended up right where we started. We found no reliable gauge for predicting who would and who would not make a good overseas employee.

QUESTION: Do you consider personality elements of great importance in overseas selection? Do you not consider that they can also be cultivated through

overseas orientation training? I refer to both the executive and his wife.

MR. LEHMANN: To a small degree. Again, I want to ask, what is background? It is the sum total of how a person was brought up, and that is difficult to change in a few years. Sometimes, it can be done, but it is only after the second assignment if at all.

QUESTION: In this regard, have you found that people dissatisfied with transfers within the company are not so successful and the people who have been transferred, say, from the East to the West Coast, are more apt to be successful if transferred to an overseas assignment? Either the person is adaptable or he is not. Is that what it boils down to?

MR. DIXON: I doubt very much whether you could arrive at a sound conclusion based on one or two incidents of transfer. Merely because one has proven adaptability in transfers within the country, would it follow that a person would be adaptable in Brazil or Cuba?

MR. JEEVES: In our own analysis of the first-time failures of expatriates, we found the failures were due to quite insignificant trifles. It has usually not been a question of personality but the difficulty of finding local living accommodations which were anything like the standards which the person has been accustomed to in this country. We make it our job to try to set people up in kitchens that have ice boxes and the usual paraphernalia which seem to be more important. The failures in foreign nationals have been based also on seemingly inconsequential things. At the local level the mere offering of the same salary with an automobile sometimes will swing a man without hesitation.

QUESTION: Have you found an increasing or decreasing willingness on the part of your younger or perhaps middle-aged management people to pull up stakes and go overseas for the first time?

MR. LEHMANN: Quickly, I would say there is a tremendous increase in the number of people in General Electric who want to go abroad. I suppose the first reason is a tremendous curiosity. But, secondly, employees feel they can get into the hierarchy of an organization more quickly, and salarywise move faster, than they can domestically. This, however, is a false notion. We base all our salaries from America and everything is comparable.

QUESTION: I am interested in what you say about the difference in salaries. Say we take an American and send him overseas to set up a new plant, where he will train an expatriate or national. You pay the American \$15,000 a year. Would you then replace him with a national whom you would only pay \$6,000 a year?

MR. JEEVES: Yes, if that was the going rate. The American who was sent over to do the pioneering job would get part of his salary in local currency. The rest would be banked here in his name, so his income in Timbuktu would be the going rate for that job.

Wisconsin Companies Sponsor Camp Scholarships

FIGHTING simulated forest fires, planting trees, and visiting beaver ponds and fish hatcheries—these are among the activities available to Wisconsin high school students who win scholarships for industry-sponsored camp workshops. The workshops are conducted at the Trees for Tomorrow Conservation Camp near Eagle River, Wisconsin,¹ and they emphasize field trip study rather than indoor lectures.

Among the Wisconsin power companies and paper manufacturing companies that sponsor the camp scholarships are: Wisconsin Michigan Power Company, Wisconsin Public Service Corporation, Wisconsin Power and Light Company, Consolidated Water Power & Paper Company, Mosinee Paper Mills Company, Owens-Illinois Mill Division, Flambeau Paper Division of Kansas City Star Company, Charmin Paper Products Company, Badger Paper Mills, Inc., and Rhinelander Paper Company.

About 1,100 students from approximately one hundred Wisconsin high schools are awarded camp scholarships each year. The workshop sessions are held during school time in the spring and fall for three-day periods.² Their objectives are: to promote principles of wise use of natural resources among both city and farm young people; to emphasize that the renewable resources—soil, water, plants, and wild life—are interdependent and that the purpose of resource management is to benefit people; and to recognize and provide incentives for high school scholarship achievement.

It is believed that resource-management concepts can be learned more easily and remembered longer if they are presented in their natural setting. Through stimulation of new ideas and development of an appreciation and understanding of resource management, young people are expected to acquire a liking for conservation knowledge.

¹ Trees for Tomorrow, Inc., is a nonprofit organization sponsored by thirteen Wisconsin paper mills and five power companies to reforest private land holdings in an extensive area in Wisconsin and to provide practical conservation education. The organization, which was initiated in 1944, distributes 500,000 fir trees annually. It teaches farmers who ask for aid how to preserve their woodland tracts and how to start new ones. Tree planting by private land owners in Wisconsin has increased more than 300% since Trees for Tomorrow was founded.

² During the summer, workshops are conducted for teachers, service clubs, youth groups, and civic organizations. The Wisconsin state colleges sponsor the teacher workshops and offer college credits for attendance.

For many students attending the camp, an entirely new world is opened. Through observation, lectures, and discussion, they learn how nature's resources are conserved and why conservation work is necessary. Through visits to fish hatcheries, for example, they learn what is done to maintain an ample supply of fish in Wisconsin lakes. By visiting one of the Wisconsin watershed reservoirs, they learn how proper water management maintains an even flow of clear water for community, industrial, and recreational use.

Students observe experimental planting of foreign as well as native trees. They watch and learn the technique of putting out a forest fire. They learn that trees delay water runoff and help to prevent floods as well as soil erosion. And the young people discover that a tree-planting program keeps a continuing supply of wood pulp available for one of their state's chief industries—paper making.

SELECTING THE SCHOLARSHIP WINNERS

Scholarship winners generally are selected from schools located in the areas served by the power companies or in areas where the paper companies are located. Although selection is left to the school authorities, companies may offer advice on the method of selection. Scholarship and an interest in conservation are among the criteria used to determine winners. Some schools offer students who have a "B" average or above the challenge of writing an essay on conservation. In this way, the school can determine which students wish to attend the camp enough to be willing to make a special effort to win the scholarships.

The awards usually go to sophomores and juniors because they will be in school for a year or two after attending the camp and, therefore, can share their knowledge with fellow students. Experience has shown great enthusiasm among those who have attended the workshops.

The workshops provide the students an opportunity to work with experienced field technicians. The instructors include foresters on the camp staff and volunteers from the faculties of the University of Wisconsin and the Wisconsin state colleges, and from the staff of the Wisconsin Conservation Department, the United States Forest Service, the United States Soil Conservation Service, and the State Department of Public Instruction.

The companies that sponsor scholarships believe that benefits from the plan come not only from impressing principles of wise resource management upon young people but, also, in making friends of these students, their families, and the school faculties. Some of the communities in which scholarships are offered have less than 5,000 inhabitants, and in these cases the program creates enthusiasm in the community as a whole.

DORIS M. THOMPSON
Division of Personnel Administration

PERSONNEL PRACTICES

TWA Jetlines Its Organizational Setup

Operations have been expanding so rapidly at Trans World Airlines, Inc., especially since the advent of the jet age, that the company has now outgrown its old form of organization. In announcing a new organization plan, TWA President Charles S. Thomas pointed out that "if an airline is to be operated profitably and successfully, it must have long-range planning, top-level scheduling responsibility, flexible budgetary controls equated with predetermined standards of performance, and clear-cut lines of authority with responsibility coordinated at the lowest practical level."

The new plan has been carefully structured to accomplish these objectives; but in order to effect an orderly change-over without disrupting the going business, it will be carried out in progressive stages. Phase 1, already in effect, is designed to put corporate planning and policy making on an organized basis and to separate these functions from day-to-day operations.

This has been accomplished by: (1) supporting the president with a policy-making and planning staff, and (2) establishing the position of system general manager to direct the company's day-to-day operations. The corporate headquarters thus has become mainly a policy-making, planning and over-all control group that performs certain broad corporate services with its primary executive offices in New York. The day-to-day operations are the responsibility of the system general manager. To him will report the sales, passenger service, flight operations and maintenance departments.

Charm at a Discount

Women are born with charm; but few of them can resist the temptation to improve on nature's handiwork. This prompted the First National Bank of Oregon to offer its female employees the opportunity to acquire additional personality and charm at reduced rates. For the nominal fee of \$5 (the bank pays the rest of the cost), the girls can attend a four-week "Personality Development Seminar" conducted by a professional charm instructor.

The program was started as an experiment, with the objective of possibly helping the girls "put their best foot forward" when meeting the public. But by the time the first seminar had ended, the list of applicants had already run well into the hundreds, and the bank

decided to continue the program as long as staff members remain interested. Two sessions (one from 9 to 12 o'clock, the other from 2 to 5 o'clock) are held every Thursday at one of the bank's branches, with ten girls enrolled in each session. The full seminar covers hair styling, posture, poise, skin care and make-up, grooming, business wardrobe, personality development, and voice.

Company Lands Opened to the Public

Close to half a million acres of Louisiana forest lands belonging to the Olin Mathieson Chemical Corporation have just been opened to the public for recreation purposes. The action represents the first project of the new FAIR (Federation and Industry Recreation) program, in which the National Wildlife Federation is cooperating with industry to make private lands accessible to sportsmen. Under the project, Olin Mathieson spokesmen explain, hunting, fishing and other outdoor recreation will be permitted and every attempt will be made to preserve sites of scenic and historic interest. The project's direction is in the hands of a coordinating committee comprised of OM officials and officials of various wildlife and forestry agencies in Louisiana.

Adjusting Pensions to Living Costs

Some observers thought that National Airlines might be starting a trend when it geared pensions directly to the fluctuations of the BLS cost of living index back in 1954.¹ The trend did not materialize. But recently there was a new development that is worth noting. An escalator clause was added to the pension agreement between the Chicago Truck Drivers and Helpers Union—an independent local (No. 705) affiliated with neither the Teamsters nor the AFL-CIO—and three major shippers in the Chicago area. This agreement has been paying eligible pensioners a flat \$75 a month since January 1, 1956. Under the new escalator clause, pensioners will never get less than \$75 a month—but they may get more.

In January, 1956 the consumer price index of the Bureau of Labor Statistics (1947-1949=100) was 114.6. By January of this year, the steady rise of living

¹ See "Pension Geared to Cost of Living," *Management Record*, August, 1954, p. 310.

costs had brought the index up to 123.8; and this decided the trustees of the pension fund to adjust pension payments to "the purchasing power of the dollar."

Here's how the adjustment was provided for: the BLS index figure for May each year will now determine the size of all monthly pensions for the fiscal year beginning the following July 1, regardless of what happens to the index in the interim. If the May figure is 123.99 or less, the monthly pension will remain \$75 until the next July 1. However, if the May index in any year climbs above 123.99, then \$5 will be added to the amount of the monthly pension for each full three points the index rises. Thus, a May index of 124.00 to 126.99 would call for monthly pensions of \$80 starting on July 1; a May index of 127.00 to 129.99 would lift the monthly pensions to \$85; and so on. Conversely, if the index were to jump to say 128.32 one May and drop to 122.64 the next May, then the amount of the monthly pension would be cut from \$85 to \$75 as of the July 1 following. But, as has been noted, no matter how low the May index goes, pensioners are always guaranteed a minimum of \$75 a month.

Drive Nets 1,864 Pairs of Eyeglasses for the Needy

The Gas Club of The Brooklyn Union Gas Company launched a drive to gather eyeglasses for the needy throughout the world. Employees, pensioners, union representatives, customers, business associates and friends cooperated so enthusiastically in the drive that a total of 1,864 pairs were collected. One employee alone rounded up 250 pairs. The donated eyeglasses were turned over to New Eyes for the Needy, Inc., a nonprofit charitable agency made up of volunteers who sort, test and pack eyeglasses for shipment to medical missions all over the world. A pair of glasses given to this agency in the United States could turn a carpenter in the Philippines, who could not work because he could not see the markings on his rule, into a confident and self-supporting citizen.

Who Turns You Down?

In a Conference Board report, "Employment of the College Graduate," published in 1956, it was stated that one hundred campus interviews might be expected to yield eight new company employees. Most of the rejections, of course, occurred following the first interview. Other candidates fell by the wayside at various stages of the screening process.

About fifteen of the one hundred young men seen are invited to visit the company for final interviews and testing, according to average experience. Most of these men are offered jobs. *But not all accept.*

Several companies known to the Board have gone to some lengths to find out why the candidates whom they wanted turned them down. Such reasons as the

following were given: better offer elsewhere; lack of training program; and limited future opportunities.

If other company surveys have come up with different conclusions, the editor of the *Management Record* would be very interested in learning of them. Then the Board will be in a position to share this information with all the companies that are interested in boosting their own batting averages on college hires.

Wage Increase Depends on Sales Increase

Bargaining as a group, Milwaukee brewers recently agreed to a 10 cents per hour wage increase, to be effective on June 1, 1959 and another 10 cents to be effective one year later, June 1, 1960.

But two small breweries were given special treatment with respect to the 1960 raise. For them, the 1960 increase will be only 5 cents per hour unless sales have increased by 10% during the intervening twelve months. If they have, then the wage increase will be at the 10 cents per hour level, just as with the large breweries.

The employers and the union have agreed that the sales figures to be accepted for this contingency will be those reported by the companies to the Wisconsin Department of Taxation.

Role of Practical Nurse in Industry Defined

The role of the licensed practical nurse in occupational health nursing services has been defined by the Occupational Health Nurses Section of the American Nurses' Association and was recently endorsed by the association's board of directors. The statement which defines the principles set forth by the nursing association follows:

"Occupational health nursing is the application of nursing and public health procedures for the purpose of conserving, promoting and restoring the health of individuals and groups through their places of employment.

"The essential nursing functions in occupational health services require the services of a registered professional nurse.

"The role of the licensed practical nurse in occupational health nursing services is limited by the scope of educational preparation and by the license to practice.

"When there is only one nurse working in industry, it is essential that the practitioner be a registered nurse. The licensed practical nurse can make an essential contribution in today's health services by performing simple nursing procedures under the direction and supervision of a professional registered nurse.

"The licensed practical nurse should perform only those acts for which he or she has been prepared, bearing in mind the individual's personal responsibility under the law."

Unions Add Strike Funds

TWO MORE UNIONS have joined the growing list of those having strike benefit funds. The *AFL-CIO News* reports that the International Ladies' Garment Workers' Union and the United Shoe Workers have voted at their recent conventions to institute strike funds.

At their thirtieth convention held at Miami Beach the ILGWU delegates ratified the establishment of a \$5 million fund. Financed by what will amount to an annual assessment of \$1 per member, *Justice*, the union's semimonthly publication, explains this fund will supplement the local treasuries in providing strike benefits. Approval of the fund at this time came after the "delegates weighed the experience of the dress industry's general strike of March, 1958, the prolonged walkouts in Pennsylvania and the bitter stoppages in other areas of the country," states the ILGWU newspaper.

At the same time, half way across the country in St. Louis, at their eleventh biennial convention, President George Fecteau of the 60,000-member United Shoe Workers hailed the inauguration of a strike benefit fund as a "victory for the union's bargaining strength." Though it will be used to "back up local treasuries," the details of the fund's financial structure have not yet been announced, says the *AFL-CIO News*.

Oilers as Teamsters

Leaders of the Esso independent unions, representing 10,000 workers in Louisiana, New Jersey, New York, Massachusetts, Pennsylvania and Maryland, are meeting with top officials of the Teamsters to seek affiliation, reports the *International Teamster*, the union's official journal.

Charging the company with wholesale dismissal of "men too old to commence a new occupation," President Marvin Holley of the independent Esso Baton Rouge refinery union emphasizes that the employees were tired of "knocking their heads against a stone wall; they needed help from someone whom the company feared more than its own employees. The answer to our need was obvious . . . the Teamsters." That support will be forthcoming from the Teamsters is promised by President James Hoffa who "pledged the Esso members the assistance of all Teamster facilities, know-how and the backing of the international union's economic power," says the union monthly.

One example of such help is the announcement in

the *International Teamster* that the Teamsters have filed charges with the NLRB accusing "an investigator for the McClellan committee" of "coercing" the members of the independent Esso union at Bayway, New Jersey "in their right to self-organization." It is alleged that this "investigator" approached President John Coppa of the independent oil union in an attempt to have him use his "influence to dissuade the union from the affiliation move with the Teamsters." Further, continues President Coppa "he suggested point-blank that I seek to join a union affiliated with the AFL-CIO, all of which he judged to be honest unions."

At the same time that affiliation discussions are being held with the Esso unions, overtures are also being made to the Socony-Mobil independent unions, states the *International Teamster*. This followed an "expression of interest" by heads of the independent petroleum union at Paulsboro, New Jersey, and now "Teamster applications are circulating among the members for signatures."

Union Mergers on Land and Sea

Two mergers involving unions in the fields of insurance and marine engineering respectively have been announced this month in the labor press. The Insurance Agents International Union, AFL-CIO, has merged with the Insurance Workers of America, AFL-CIO, states the *AFL-CIO News*. Also joining forces, reports the *Seafarers Log*, official organ of the Seafarers' International Union, are the Marine Engineers' Beneficial Association, AFL-CIO, and the Brotherhood of Marine Engineers, AFL-CIO.

Prime consideration of the newly created 23,000-member Insurance Workers International Union, promises President George L. Russ, former head of the IAIU, is a program of "organizing the unorganized" in a field "containing nearly one million workers." However, as its first piece of business, the new union appointed a committee to approach the independent General Union of Life Insurance Agents with a merger offer. William Harper, president of the 2,000-member unaffiliated union, replied, "I'm sure that if we were all in one group we'd get a lot more attention from our companies."

Although the new marine engineering union represents approximately 10,000 engineers sailing on American-flag vessels in the interstate and intrastate trade,

it pledges as its most immediate aim a "vigorous organizing campaign, particularly on the Great Lakes," states the *Seafarers Log*.

UMW Assesses Each Member \$20 to Meet Litigation Costs

In an "official notice" appearing in the *United Mine Workers Journal*, John L. Lewis and other officials of the Mine Workers decreed a special assessment of \$20 per member to combat the "recent flood of litigation."

The announcement of the levy, which will be deducted at the rate of "\$5 from each pay period for May and June," was presaged by the testimony of John L. Lewis before the subcommittee of the House Committee on Education and Labor in May. Mr. Lewis testified, reports the union organ, that the mine owners "may be able to make more by suing the organization than they can by undertaking to operate their unprofitable mining units." They "rig up some incident—it sometimes happened four years before—and file a suit in federal court against the United Mine Workers. We have one now down in Tennessee exactly of that character."

Typical of the suits referred to by President Lewis is the Meadow Creek Mine case where a federal district judge in Tennessee recently awarded the mine owners a \$400,000 judgment against the union for strike activity that occurred in 1948. The *United Mine Workers Journal* in its "official notice" reports the need for the assessment in order to "defend our organization" and pay the high costs of litigation that include "attorney fees, court costs, payment of judgments, and settlements of lawsuits."

Milliners Vacation at One Time

"For the first time in the millinery industry," announces *The Hat Worker*, organ of the United Hatters Union, AFL-CIO, "the entire trade dropped work in all shops across the country for a uniform vacation period."

Originally scheduled for June 1, the vacation period was postponed until June 15 because the employees "wished to start their vacation somewhat later." The earlier vacation also "would have worked hardship on the employers' business," states Alex Rose, president of the 40,000-member union. The union had given the industry's manufacturers, jobbers, syndicates and retailers adequate notice, reports the union monthly, so that they could make the necessary changes in their schedules.

Union Helps Build Hospital

Answering a plea for help from Danny Thomas, the TV star, the Hotel and Restaurant Employees Union has begun a drive to raise \$200,000 to build a wing on

St. Jude's Hospital, Memphis. The new hospital itself "will be part of a nonsectarian, interracial research center for study of the child-killing diseases," declares the *Catering Industry Employee*, the union's monthly.

The \$200,000 drive was inaugurated by \$50,000 voted by the general executive board; in addition, the union organ reports, contributions from the individual locals already total over \$30,000. The high point of the entire campaign will be a \$50-per-plate dinner at which the contributions will be presented to Danny Thomas.

Teamsters Charge Hot Cargo Ban Would Hurt All Labor

The Teamsters' union, ind. has denounced the hot cargo prohibition embodied in the proposed labor-management disclosure bill as "the major goal of the worst antilabor elements in the country" directed "at the heart of the labor movement."

This prohibition, says the *International Teamster*, will not merely hamper transportation unions; it will "affect every labor union in the country." The union monthly then cites the many situations in which strikes in other industries will be affected by the new practices that transportation unions must adopt. These measures include:

- Delivery of raw materials and the picking up of finished materials at strike-bound plants.
- Conveying building materials past picket lines into building construction sites.
- Transportation of goods to struck retail stores.
- Carrying shipments of food through picket lines to hotels and restaurants whose employees are on strike.

At present, in like situations, the transportation unions can urge their members to invoke their rights under the hot cargo clauses, common to union contracts in this industry. Under these, "no employee shall be discharged or disciplined for failing or refusing to go through a picket line or refusing to handle 'unfair' goods," says the *International Teamster*. But, in the future, concludes the union paper, "the total result of these restrictions on picket lines and hot cargo contracts is to make the employees of common carriers . . . strike breakers in every conceivable situation."

Canadian Unions Agree to Eliminate Jurisdictional Disputes in "Runaway" Plants

Two unions, both members of the AFL-CIO Canadian Labour Congress, have agreed to stop competing for "runaway" plants, reports the Canadian edition of *The International Chemical Worker*.

As signatories to the agreement, the Chemical Workers and the Oil, Chemical and Atomic Workers pledge that once a union has established a collective bargaining relationship with an employer it will have "the exclusive right to pursue the employer to the new location," in cases where the transfer was made to

"escape responsibilities under a collective bargaining agreement." However, the union publication stressed that any plant closing due to a merger or transfer of works to an established plant is excluded from the term "runaway."

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Executive Pensions

(Continued from page 225)

Although the interindustry rate of increase varies more than for the second executive, the variation is not nearly as great as for the top man.

- Two industries are fairly high: textiles and apparel (67%) and fabricated metals (60%).
- Seven industries are about average or a little below: primary metals (50%); electrical machinery and machinery (44% each); transportation equipment (33%); and chemicals and food (30% each).
- In the other four groups the benefit increased a relatively small per cent: petroleum (25%); "other manufacturing" (22%); stone, clay and glass (14%); and paper (9%).

AS PER CENT OF COMPENSATION

There is, of course, a major shortcoming in analyzing trends in the dollar amount of pensions. To the extent that companies attempt to maintain a consistent relationship between pension size and current compensation, any changes in the pension may merely reflect changes in the current compensation of the executive.

However, the data from the companies studied here

indicate that there has been a general increase in the pensions of the three highest-paid executives, independent of increased current compensation. The per cent of current compensation that the estimated pension represents has increased for all three officers since 1949: from a median of 19% in the early year to 26% in 1957 for the top man; from 23% to 28% of salary for the second man; and from 25% up to 29% for the third highest paid (see Table 4).

Although in both years the third-highest-paid executive received a proportionately larger pension than the second man, who, in turn, received proportionately more than the top man, the highest-paid executive has gained somewhat more than the other two: seven percentage points compared with five for the second man and four for the third man.

Industry Variations

As shown in Table 5, pensions as a per cent of compensation have increased in each of the major industry groups analyzed. Among the manufacturers, utilities, and retail stores the highest-paid executive receives a smaller per cent than the second man, while the third highest paid receives the largest proportion of earnings as a pension. In the transportation and insurance companies the tendency is to give the second and third executive about the same per cent of compensation,

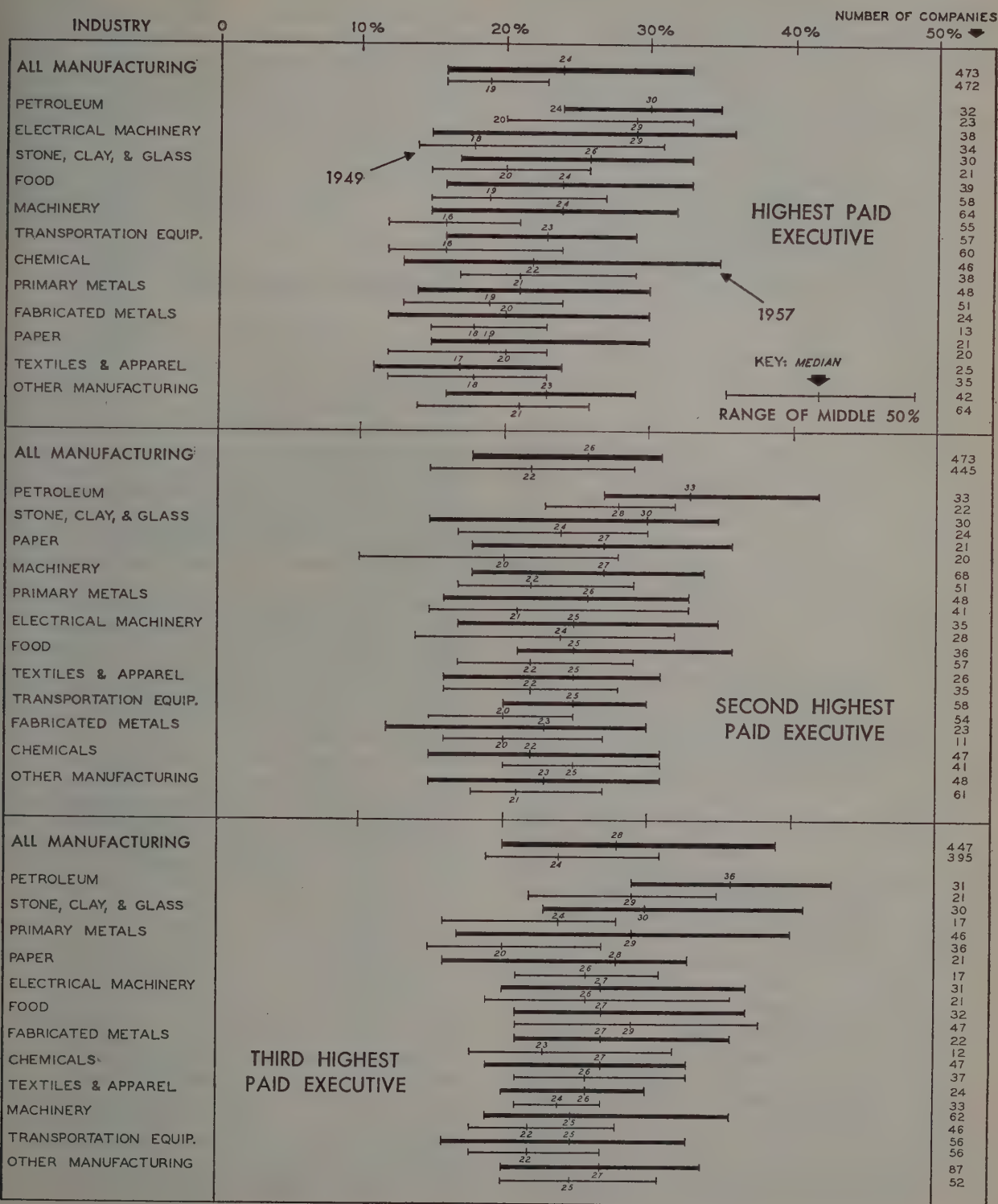
Table 5: The Median Pension as a Per Cent of Current Compensation

Major Industry Group	Highest Paid		Second Highest		Third Highest	
	1957	1949	1957	1949	1957	1949
Insurance	37%	27%	45%	38%	44%	42%
Transportation	31	20	38	31	37	28
Utilities	29	20	33	26	35	22
Manufacturing	24	19	26	22	28	24
Retail trade	18	15	18	17	21	18

Table 4: Estimated Pension of the Three Highest-Paid Executives at Sixty-five as a Per Cent of Total Compensation, 1957 and 1949

Pension as Per Cent of Total Compensation ¹	Highest-Paid Executive				Second-Highest-Paid Executive				Third-Highest-Paid Executive			
	1957 Co.'s		1949 Co.'s		1957 Co.'s		1949 Co.'s		1957 Co.'s		1949 Co.'s	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Under 5%	11	2%	13	2%	5	1%	9	2%	7	1%	5	1%
5% -9%	39	6	51	8	30	4	35	6	17	3	15	3
10-14	86	12	121	19	64	9	73	12	41	6	46	9
15-19	105	15	140	22	75	11	92	16	73	11	78	15
20-24	99	14	129	20	109	16	125	21	87	13	113	22
25-29	106	15	89	14	99	14	90	15	103	16	99	19
30-34	103	15	55	8	109	16	65	11	100	15	59	11
35-39	59	8	16	2	77	11	42	7	76	12	44	8
40-44	38	5	9	1	50	7	29	5	55	8	26	5
45-49	25	4	12	2	27	4	7	1	44	7	9	2
50 and over	31	4	13	2	49	7	20	3	51	8	31	6
Total	702	100	648	100	694	100	587	100	654	100	525	100
Median	26%		19%		28%		23%		29%		25%	
High of mid 50%	31		26		38		30		36		33	
Low of mid 50%	17		14		19		17		22		19	

Note: Percentages may not add up to 100% due to rounding.
¹ Assuming no change in earnings or in pension plan prior to age sixty-five.

Chart 2: Estimated Pension as Per Cent of Total Compensation in Manufacturing, 1957 and 1949


which is noticeably larger than that of the top-paid officer.

The above proportions emphasize interindustry differences that were not nearly so apparent from the median dollar value of the estimated pension.

- Not only does retail trade provide a much smaller absolute median pension, but relative to total 1957 compensation, this pension is noticeably smaller than the other four industry groups. Furthermore, the per cent of compensation given is only slightly larger than in 1949.

- At the other extreme, the median dollar benefit for the insurance companies is not much different than that of transportation, utilities and manufacturing. But, as a per cent of 1957 compensation, this pension is obviously larger than that in the other three industries.

- Finally, pensions in manufacturing are smaller as a per cent of compensation than the median dollar amount might imply.

Variations in Manufacturing

Chart 2 shows the median and middle 50% range in pensions as a per cent of compensation for the top three officers in the same manufacturing industries for which dollar amounts are shown on Chart 1.

By and large, the order of the industries in both charts is the same, with the conspicuous exception of the chemical industry. In terms of the dollar amount, this industry provides the top benefit to the highest-paid executive; but as a per cent of 1957 compensation, the benefit is somewhat below average.

As was the case with the dollar benefit, differences among the industries in the per cent of compensation given are substantial for the top executive, but are quite small for the second and third man (aside from the petroleum industry, which provides a relatively high per cent of compensation, particularly for the third man).

In addition, the increased dollar benefit since 1949 has raised the per cent of compensation given an average of only about five percentage points. This increase has been relatively uniform among the industries, especially for the second and third man. More variation is found in the changes made in the top man's benefit.

- Practically no percentage gain for the top man is registered by petroleum, chemicals, primary metals, fabricated metals, paper, textiles and apparel, and "other manufacturing."

- In the other industries the percentage gain has been at least average with a larger than average increase in electrical machinery (from 18% to 29% of total compensation).

Taking all the manufacturing companies together, the highest-paid executive receives proportionately less of his salary as a pension than the second man,

who, in turn, receives proportionately less than the third man. However, this is specifically true only in petroleum, primary metals, and fabricated metals. In stone, clay and glass, transportation equipment, paper, and textiles and apparel, the second and third man receive an equal per cent of compensation, and this percentage is somewhat higher than the top man receives. In food, chemicals and "other manufacturing," the top and second man receive an equal per cent of compensation, which is somewhat lower than that of the third man.

HARLAND FOX
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Maternity Leaves

(Continued from page 234)

the assumption is that the woman will be terminated even though her failure to return to work is due to physical disability. For example, twenty-two of the twenty-eight companies granting a year's leave specify that the leave period may not exceed this time. Also, companies granting two years' leave and those granting a year and a half indicate that these amounts are the maximum permissible. Of the companies granting six months' leave, four do not permit any extension; two set a ceiling of eight months' and one of nine months' leave.

About half the companies, however, permit an extension of the original leave period in the event the employee is physically unable to return to work on schedule. Of the forty-eight firms specifically providing for an extension of leave, two out of five do not indicate the extent of the additional leave permitted. Most of these require that the company medical department approve whatever certificates the woman submits as proof of needed extension. Some companies grant extensions on a month-to-month basis, while a few others allow extensions on a sick-leave basis. The remaining companies permit the following extensions of leave upon satisfactory notification.

<i>Duration</i>	<i>Companies</i>
30 days	1
3 months	12
6 months	7
12 months	3
18 months	1
Other	4
Total	28

The company granting up to eighteen months' extension, where it is medically required, allows an initial leave of six months. Similarly, the company that grants thirty days' extension also permits an initial six months' leave. Included in the "other" group are two companies that permit the employee to use the balance of any accumulated sick-leave credits she may

have up to two years. The other two companies specify that the woman's total leave, including any extension, may not exceed two years.

When Does Leave Start?

Whether maternity leave is for three months or for two years, the pregnant woman often is required to begin the leave not later than a specific time prior to her confinement. Twenty-seven of the forty-six companies supplying this information set the date for leaving somewhere between the fifth and sixth month of pregnancy—in other words, three or four months before the expected delivery date. Other times specified for commencing maternity leaves are:

Number of Months Before Expected Delivery	Number of Companies
1½ months (6 weeks)	1
2 months	5
3 months	10
4 months	17
5 months	3
6 months	5
Individual basis	5
Total	46

Continuation of employment until the deadline is contingent upon the employee's ability to meet job requirements with due regard for her health and well being. Some companies explain that the proper time to commence maternity leave is dependent on a number of factors, including the judgment of the immediate supervisor, the employee's own desire, as well as her physical condition.

The following two explanations are typical:

"Continuance of work until the fifth month of pregnancy depends on the physician's report and upon whether the employee's services can be utilized at work that does not require heavy lifting, climbing or moving from one platform to another."

* * *

"As a matter of medical policy, employees in positions involving physical effort such as order fillers or packers, or in positions involving long hours of standing, are asked to cease active work not later than the end of the fifth month of pregnancy (four months before expected delivery date). Employees engaged in clerical activities cease active work in the sixth month of pregnancy (three months before expected delivery date). Cases involving complications are handled on an individual basis."

At one company women are not allowed to work on the midnight shift during pregnancy. Neither can they work beyond eight hours a day or forty-eight hours a week. At another company the woman may not be denied employment simply because she is pregnant. If necessary, she will be transferred to another job more fitting to her condition.

When Do Employees Return?

While most companies anticipate that the woman will return to work as soon as she is able, consistent with the doctor's recommendation, some indicate a

specific time when she should return. Of the twenty-three companies reporting a definite time for returning to work, eight say not earlier than two months after delivery; another eight state three months after delivery; three specify four months after; and two specify six months after. One each say the woman must not return earlier than four weeks and six weeks after delivery.

Just twenty-one of the forty-six companies that specify when maternity leave should start also state when it should end. And two companies that state when the leave terminates do not indicate when the leave should start. In the following tabulation the available data on when maternity leave begins and ends is matched with the amount of leave granted.

Duration of Leave (in Months)	Number of Companies	Months of Leave Before Delivery	Months of Leave After Delivery
5	1	3	2
6	11		
		4	2
		4	3
		3	4
		4	4
7	1		
8	3		
		1	5
		1	4
		1	3
9	2		
		1	6
		1	3
12	3		
		1	4
		1	3
		1	3
		3	2
		3	3
		3	6
		4	Not more than 7
		3	Not less than 6 weeks
		3	Not less than 6

ELIGIBILITY FOR LEAVE

The minimum service requirement for maternity-leave privileges in the thirty-three companies for which data were available ranges from ninety days to four years. The usual requirement (nineteen companies) is a year's service. In Table 2 the minimum service requirement is matched with the amount of leave granted.

Table 2: Service Eligibility Requirements in Thirty-Three Companies

Required Minimum Service	Number of Companies	Duration of Leave				
		6 mos.	8 mos.	9 mos.	12 mos.	24 mos. n.a.
Completion of probationary period	1	1				
3 months	1					
6 months	3	2			1	
9 months	2	1			1	
10 months	2	1	1			
12 months	19	7	1	3	4	2
18 months	1				1	
36 months (3 yrs.)	3	3				
48 months (4 yrs.)	1				1	
Totals	33	15	3	3	8	2

n.a. Not available.

The table shows no correlation between the minimum service requirement and the amount of permissible leave. One company requires four years' service for a year's leave, while seven companies require from six to eighteen months' service for the same amount of leave. The amount of service required for a six-month maternity leave is thirty-six months in three companies; yet one firm grants the same leave to employees with only three months' service.

Procedures Used in Granting Leave

In granting maternity leaves companies generally expect the woman to meet certain procedural requirements for eligibility. While these requirements are not spelled out in all labor contracts, about half of those analyzed give some indication of the preliminary steps required for company approval. Procedural requirements among the unorganized firms included in this analysis are quite similar to those found in union contracts.

A general requirement is that requests for maternity leave must be in writing and accompanied by a doctor's certificate. Sixty-four of the 112 leave plans

studied contain this stipulation. Beyond this general requirement, plans differ considerably.

Forty-seven companies require, in addition, the physician's estimated date of delivery and the estimated time needed before the woman can return to work. Fifteen companies specify that the woman must notify the medical department as soon as pregnancy becomes an established fact, but not later than a specified time. This time varies between the third and fifth month of pregnancy. Four companies require the woman to present a doctor's certificate on a month-to-month basis until she goes on leave. Another company, while not requiring a monthly report, specifies that a letter from the woman's doctor must state she has no medical complications and that if any should develop the company's medical department will be notified immediately.

The following excerpts illustrate the nature and extent of requirements needed to secure company approval of maternity leave.

All employees who are expectant mothers must report to the medical department before the end of the third month of pregnancy with a note from their doctor stating the anticipated date of delivery. Failure to do this will be grounds for dismissal.

After consultation with the medical director as to the approximate delivery date, the employee will be required to complete Form No. and file it with the personnel director indicating the leave of absence date.

* * *

The employee will submit to an examination by the company physician, if required, or will furnish proof from her own physician, if requested, for the purpose of establishing pregnancy as a fact; also, the estimated date of delivery; and to advise management concerning the effect that continued employment would have on her physical welfare.

* * *

Whenever an employee becomes pregnant, she will furnish the company with a certificate from her physician stating the approximate date of delivery, the nature of the work she may do, and the length of time she may continue to work. Thereafter, upon the request of the company, she must furnish an additional certificate every thirty to forty-five days.

* * *

A woman employee must notify the company as soon as she knows she is pregnant and, at the same time, file a certificate from her physician stating the probable date of confinement.

The employee concerned is responsible for securing periodic examinations during the period of pregnancy and to advise the company monthly by physician's certificate as to her ability to continue safely in the performance of the duties of her assignment.

* * *

The fact of pregnancy must be made known in writing to the personnel department and the employee must supply a certificate each month from the attending physician

Request for Maternity Termination or Leave of Absence

Name _____ Department _____

This is to certify that I am an expectant mother and, in keeping with instructions outlined in Home Office Bulletin No. 66, the medical director and I have determined that my anticipated date of delivery is _____.

On the basis of this determination, the medical director and I have agreed that the effective date of my termination leave of absence should be _____.

(To be completed only if employee desires a maternity leave of absence)

I hereby request the company to grant me a maternity leave in keeping with conditions outlined in Home Office Bulletin No. 66, to be effective from _____ to _____, which is a period of _____ months and _____ days.

Date _____ Employee's Signature _____
Approved by:

Medical Director

(To be completed by personnel director)

Approved: From _____ To _____
Rejected

Personnel Director

that she is physically able to work each of the first five months following pregnancy.

To facilitate collection of all pertinent data required of the woman, companies devise standard maternity-leave forms similar to the one shown in the accompanying box. This particular form has the advantage of serving as a maternity-leave request or as a request for maternity termination. Bulletin Number 66, referred to in the opening sentence of the form, sets forth complete information on the company's maternity provisions. These include the maximum permissible leave, the conditions governing leave, the month of pregnancy in which leave begins, the month following childbirth in which leave terminates, seniority status during the leave of absence, and what job guarantees, if any, are provided.

N. BEATRICE WORTHY

Division of Personnel Administration

Food Purchasing Power

(Continued from page 243)

cities with lower wage levels because of higher costs.

These two aspects of price can be seen from the accompanying chart. Work-time required to purchase the meal at one price is charted for different wage levels. The price used is an average of the twenty cities. For the most part, the actual work-time required in these cities follows this trend of a constant price. Any points above the line represent cities with higher-than-average prices, and any points falling below the line are cities with lower-than-average prices. From this, it can be seen that the cities with the lower wages generally have the highest prices. If the cost of the meal varied in proportion to wages, the purchasing power in all these cities would be identical.

Regional Differences

The cities have been grouped into five regions to determine the degree of regional variation. Hourly earnings were lowest in the East (New England-Middle Atlantic and South Atlantic) and highest in the East North Central cities. The cost of the meal was highest in the New England-Middle Atlantic cities and, again, lowest in the East North Central cities. These two factors combined gave the East North Central city workers the strongest purchasing power and the workers in the New England-Middle Atlantic cities the weakest. The work-time required to buy the meal ranged from sixty-three minutes to eighty-three minutes. It took workers in the South Atlantic cities eight-one minutes to purchase the meal, in the West Central cities seventy minutes, and in the Pacific sixty-seven minutes were necessary. Earnings in Pittsburgh were not typical of the eastern cities. San Fran-

Table 3: Meal Purchasing Power

Cities	Index of Hourly Earnings (U. S. = 100)	Cost of Meal	Work-Time Required to Buy Meal (in Minutes)	% of Meal Obtained by an Hour's Work
United States				
average	100.0	\$2.84	78	77%
Atlanta	91.8	2.96	88	68
Baltimore	106.4	3.02	78	77
Boston	99.1	3.20	88	68
Chicago	112.3	2.57	63	95
Cincinnati	105.0	2.79	73	82
Cleveland	116.4	2.67	63	95
Detroit	127.9	2.78	59	102
Houston	110.5	2.81	70	86
Kansas City, Mo.	108.7	2.71	68	88
Los Angeles	112.8	2.70	66	91
Minneapolis	105.9	2.56	66	91
New York	100.0	3.05	84	71
Philadelphia	102.3	3.16	85	71
Pittsburgh	124.2	2.85	63	95
Portland, Ore.	111.4	2.78	68	88
St. Louis	106.4	2.82	73	82
San Francisco	121.0	3.11	70	86
Scranton	77.2	2.96	105	57
Seattle	115.1	2.99	71	85
Washington	108.7	3.05	77	78

Sources: Bureau of Labor Statistics; THE CONFERENCE BOARD.

Table 4: Regional Differences in "Meal Purchasing Power"

Area	Average Hourly Earnings	Cost of Meal (in Minutes)	Work-Time to Obtain Meal (in Minutes)
Middle Atlantic-New England	\$2.25	\$3.06	83
South Atlantic	2.25	3.01	81
East North Central	2.55	2.66	63
West Central	2.35	2.74	70
Pacific	2.50	2.80	67

Middle Atlantic-New England: Boston, New York, Philadelphia, Pittsburgh, Scranton.
South Atlantic: Atlanta, Baltimore, Washington.
East North Central: Chicago, Cincinnati, Cleveland, Detroit.
West Central: Houston, Kansas City, Minneapolis, St. Louis.
Pacific: Los Angeles, Portland, San Francisco, Seattle.

Sources: Bureau of Labor Statistics; THE CONFERENCE BOARD.

cisco wages were also higher than average for the region, while the cost of the meal was higher in both San Francisco and Seattle.

As hourly earnings and price levels change, purchasing power changes. Work-time to buy the same meal increased in eleven of eighteen cities between December, 1958 and February, 1959.¹ In five cities purchasing power remained the same, and in Baltimore and Cleveland it increased. These were also the only two cities in which the actual price of the meal declined. The ranking of the cities by work-time changed very slightly. One effect, however, was to bring Cleveland's purchasing power to the same level as Detroit's, with workers in both cities requiring sixty-one minutes of labor to purchase the meal.

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Division of Consumer Economics

¹ Average hourly earnings in two cities for February, 1959 were not available at time of publication.

Significant Labor Statistics

Item	Unit	1959					1958		Year Ago	Percentage Change	
		May	April	March	Feb.	Jan.	Dec.	Nov.		Latest Month over Previous Month	Latest Month over Year Ago
Consumer Price Indexes (BLS)											
All Items.....	1947-1949 = 100	124.0	123.9	123.7	123.7	123.8	123.7	123.9	123.6	+0.1	+0.1
Food.....	1947-1949 = 100	117.7	117.6	117.7	118.2	119.0	118.7	119.4	121.6	+0.1	-0.1
Housing.....	1947-1949 = 100	128.8	128.7	128.7	128.5	128.2	128.2	128.0	127.8	+0.1	+0.1
Apparel.....	1947-1949 = 100	107.3	107.0	107.0	106.7	106.7	107.5	107.7	106.7	+0.3	+0.3
Transportation.....	1947-1949 = 100	145.4	145.3	144.9	144.3	144.1	144.3	144.5	138.7	+0.1	+0.1
Medical Care.....	1947-1949 = 100	150.2	149.6	149.2	148.6	147.6	147.3	147.0	143.7	+0.4	+0.4
Personal Care.....	1947-1949 = 100	130.7	130.0	129.7	129.8	129.4	129.0	129.1	128.5	+0.5	+0.5
Reading and Recreation.....	1947-1949 = 100	117.8	117.7	117.3	117.1	117.0	116.9	117.0	116.6	+0.1	+0.1
Other Goods and Services.....	1947-1949 = 100	128.4	128.2	127.3	127.4	127.3	127.3	127.3	127.2	+0.2	+0.2
Employment Status (Census)											
Civilian labor force.....	thousands	69,405	68,639	68,189	67,471	67,430	68,081	68,485	68,965	+1.1	+0.1
Employed.....	thousands	66,016	65,012	63,828	62,722	62,706	63,973	64,653	64,061	+1.5	+0.1
Agriculture.....	thousands	6,408	5,848	5,203	4,692	4,693	4,871	5,695	6,272	+9.6	+2.0
Nonagriculture industries.....	thousands	59,608	59,163	58,625	58,030	58,013	59,102	58,958	57,789	+0.8	+3.0
Unemployed.....	thousands	3,389	3,627	4,362	4,749	4,724	4,108	3,833	4,904	-6.6	-30.0
Wage Earners (BLS)											
Employees in nonagr'l establishments.....	thousands	p 51,956	r 51,414	r 50,878	50,315	50,310	51,935	51,432	49,949	+1.1	+4.0
Manufacturing.....	thousands	p 16,135	r 16,029	r 15,969	15,771	15,674	15,749	15,795	15,023	+0.7	+7.0
Mining.....	thousands	p 698	r 692	r 688	693	704	713	712	711	+0.9	-1.0
Construction.....	thousands	p 2,840	2,656	2,417	2,256	2,343	2,486	2,784	2,685	+6.9	+5.0
Transportation and public utilities.....	thousands	p 3,906	r 3,881	3,865	3,835	3,836	3,881	3,885	3,874	+0.6	+0.0
Trade.....	thousands	p 11,215	r 11,131	r 11,083	10,990	11,052	11,976	11,382	10,961	+0.8	+2.0
Finance.....	thousands	p 2,420	2,404	2,386	2,371	2,363	2,373	2,374	2,370	+0.7	+0.2
Service.....	thousands	p 6,585	r 6,508	r 6,377	6,333	6,314	6,384	6,426	6,455	+1.2	+2.0
Government.....	thousands	p 8,157	r 8,113	r 8,093	8,066	8,024	8,373	8,074	7,870	+0.5	+3.0
Production and related workers in mfg. employment											
All manufacturing.....	thousands	p 12,266	r 12,167	r 12,117	11,937	11,855	11,930	11,981	11,245	+0.8	+9.0
Durable.....	thousands	p 7,121	r 7,022	r 6,937	6,794	6,739	6,740	6,742	6,269	+1.4	+13.0
Nondurable.....	thousands	p 5,145	r 5,145	5,180	5,143	5,116	5,190	5,239	4,976	0	+3.0
Average weekly hours											
All manufacturing.....	number	p 40.5	40.3	40.2	40.0	39.9	40.3	39.9	38.7	+0.5	+4.0
Durable.....	number	p 41.1	r 40.9	40.8	40.3	40.4	40.8	40.3	39.1	+0.5	+5.0
Nondurable.....	number	p 39.7	39.5	39.5	39.4	39.3	39.6	39.4	38.1	+0.5	+4.0
Average hourly earnings											
All manufacturing.....	dollars	p 2.23	2.23	2.22	2.20	2.19	2.19	2.17	2.12	0	+5.0
Durable.....	dollars	p 2.39	2.39	2.38	2.36	2.35	2.35	2.33	2.26	0	+5.0
Nondurable.....	dollars	p 2.01	r 2.00	1.99	1.98	1.98	1.97	1.96	1.94	+0.5	+3.0
Average weekly earnings											
All manufacturing.....	dollars	p 90.32	89.87	89.24	88.00	87.38	88.26	86.58	82.04	+0.5	+10.0
Durable.....	dollars	p 98.23	r 97.75	97.10	95.11	94.94	95.88	93.90	88.37	+0.5	+11.0
Nondurable.....	dollars	p 79.80	r 79.00	78.61	78.01	77.81	78.01	77.22	73.91	+1.0	+8.0
Straight time hourly earnings (estimated)											
All manufacturing.....	dollars	p 2.16	2.16	2.16	2.14	2.13	2.12	2.11	2.08	0	+3.0
Durable.....	dollars	p 2.30	2.31	2.30	2.29	2.28	2.27	2.26	2.21	-0.4	+4.0
Nondurable.....	dollars	p 1.96	r 1.95	1.94	1.94	1.94	1.92	1.92	1.91	+0.5	+2.0
Turnover Rates in Manufacturing (BLS)											
Separations.....	per 100 employees	p 2.7	r 3.0	2.8	2.6	3.1	2.8	2.8	3.5	-10.0	-22.0
Quits.....	per 100 employees	p 1.3	r 1.1	1.0	0.8	0.9	0.7	0.8	0.8	+18.2	+62.0
Layoffs.....	per 100 employees	p 1.0	r 1.3	1.3	1.3	1.7	1.8	1.6	2.4	-23.1	-58.0
Accessions.....	per 100 employees	p 3.5	r 3.5	3.6	3.3	3.3	2.4	2.8	2.9	0	+20.0

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Wage and Fringe Developments in Bargaining

Fewer holidays but longer vacations have been negotiated in a new contract between the New York Stock Exchange and the Office Employees' union

A NEW CONTRACT between the New York Stock Exchange and the Office Employees' union eliminates three holidays—Columbus Day, Veterans' Day and Lincoln's Birthday.

Under the former contract, employees were usually required to work on the three holidays, but they received another day off with pay as a substitute for the holiday. Now, all employees with ten or more years' service will receive a third week of vacation.

The old contract gave three weeks' vacation after fifteen years. Added for the first time in the new agreement is a four-week vacation after twenty-five years. Employees receiving the increased vacations will no longer receive a substitute day off for work on the three nonobserved holidays. Employees with less than ten years of service and those with between fifteen and twenty-five years' service will continue to get the three holidays until they complete sufficient service to qualify for the increased vacation allowances.

The new agreement also provides for salary increases ranging from \$3 to \$10 a week, and life insurance coverage is increased from a year's salary to a year and a half.

Cash for Unused Sick Leave

With no change in the conditions under which sick leave is payable, the new contract between Greenfield Tap and Die and the unaffiliated United Electrical Workers increases from five to seven the number of days allowed each year for paid sick leave. Any employee who does not use all the sick leave during the year for which he is eligible will be entitled to a cash settlement of up to two days' sick leave pay. In order to implement the new seven-day plan, the contract calls for a cash distribution to all employees in July, 1959. The amount of the distribution is equivalent to a day's sick pay.

The new contract also increases the monthly pension benefit by 25 cents to \$2 per month per year of service. Effective in April, 1960 a further pension increase will bring the total monthly pension benefit to \$2.25 per annual service credit.

In addition to a 12 cents hourly wage boost—5 cents the first year and 7 cents the second—the contract calls for two and one-half times for holidays worked. Formerly the premium for holiday work was double time. Another change in the new contract provides for full employer payment of group insurance.

Pay Rise Narrows Area Differential

The American Sugar Refining Company and the Packinghouse Workers at the company's Chalmette, Louisiana refinery have agreed on a three-year contract that grants a 50 cent hourly wage increase over the contract period. Fifteen cents of the total goes toward narrowing the wage differential existing between the company's northern and southern plants. In addition, shift differential increases are granted each year of the contract. In the final contract year the shift premium rates will be 8 cents and 10 cents.

The initial wage boost is 16 cents an hour, of which 5 cents is applied toward narrowing the North-South differential. This brings the basic hourly rate for men to \$2.05 and for women to \$2.02. In the second and third years the hourly wage boost is 17 cents, of which 5 cents each year again goes toward narrowing area differentials.

An added holiday and liberalized group health insurance are other features of the contract which will expire in February, 1962.

Contract Provides for Automatic Wage Progression

A three-year contract between the Kawneer Company in Miles, Michigan and the Allied Industrial Workers establishes a system of automatic wage progressions and increases wage rates 20 cents an hour over the contract period. The wage progression scale permits automatic increases of 5 cents an hour every thirty days until the employee reaches the mid point of his classification. Increases in individual rates beyond this mid point, as well as promotional increases from one classification to another, are granted on the basis of individual merit as determined by the company.

A cost of living formula establishes as a base the index figure for April 15, 1959. The first adjustment under the new contract will be made in June, 1960, based on the difference between the index figure for April 15, 1959 and the index figure for April, 1960. The adjustment provides for a penny an hour for each five-tenths (0.5) of a point change. Succeeding adjustments during the life of the contract will be made on a semiannual basis in a similar manner.

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Division of Personnel Administration

Significant Pay Settlements

Company, Union ¹ and Duration of Contract	Pay Adjustments	Fringe Adjustments
FOOD AND BEVERAGES		
American Sugar Refining Co. with <i>Packinghouse Workers</i> in New Orleans, La., 800 hourly Effective: 2-1-59 (signed 3-25-59). Contract expired New contract: 3 years	17¢ per hour general increase. Shift differential increased by 1¢ to 7¢ and 9¢ per hour Deferred increase: 17¢ per hour, plus 1¢ shift differential increase in 1960 and 1961	Added: Additional holiday Revised: Group insurance
Hershey Chocolate Co. with <i>American Bakery Workers</i> in Hershey, Pa., 2,800 hourly Effective 1-1-59. Contract expired New contract: 2 years	8¢ per hour general increase, add'l 3¢ per hour for 26 classifications. Deferred increase: 7¢ add'l per hour effective 1-1-60	Added: Holiday pay Revised: Vacation pay
Miller Brewing Co. with <i>Brewery Workers</i> at Milwaukee, Wis., 1,625 hourly Effective 6-1-59. Contract expired New contract: 2 years	10¢ per hour general increase (3.7% average) Deferred increase: 10¢ per hour, 6-1-60	Added: 10th paid holiday Revised: Life and medical insurance, insur- disability pay, pension plan, funeral leav and vacation schedule
Pabst Brewing Co. with <i>Brewery Workers</i> in Milwaukee, Wis., 1,800 hourly Effective 6-1-59. Contract expired New contract: 2 years	10¢ per hour general increase 6-1-59 Deferred increase: 10¢ per hour 6-1-60	Revised: Vacation pay, holiday pay, sick ben- fits, funeral leave, pension plan, Blue Cross
Jos. Schlitz Brewing Co. with <i>Brewery Workers</i> in Milwaukee, Wis., 2,000 hourly Effective 6-1-59. Contract expired New contract: 2 years	10¢ per hour general increase Deferred increase: 10¢ per hour 6-1-60	Revised: Vacation pay, holiday pay, sick ben- fits, funeral leave, pension plan, Blue Cross
PETROLEUM PRODUCTS		
Phillips Petroleum Co. with <i>Operating Engineers</i> in Borger area, Texas, 2,500 hourly Effective 1-16-59. Wage reopener Contract expires 5-1-61	5% general increase	No change
Socony Mobil, (Magnolia Petroleum Co. subsid.) with <i>OCAW</i> in Beaumont, Texas, 2,190 hourly Effective 1-16-59 Contract expires 6-1-60 and with <i>OCAW</i> in St. Louis, Mo. and East St. Louis, Ill., 520 hourly Effective 1-19-59. Reopening Contract expires 6-1-60	5% general increase (10¢ to 17¢ per hour)	No change
Standard Oil Company (Indiana) with <i>Central States Petroleum Union, ind.</i> , 25 locals in central and midwestern states, 3,673 hourly and salaried Effective 1-19-59. Contracts expired New contracts: The 25 agreements range from 3 months to 15 months	5% general increase	No change
TEXTILES		
American Thread Co., with <i>Textile Workers</i> in Dalton, Georgia, 400 hourly Effective 5-15-59. Contract expired New contract: 2 years	7% general increase in both time and piece rates	No change

Significant Pay Settlements—Continued

Company, Union ¹ and Duration of Contract	Pay Adjustments	Fringe Adjustments
<p>Shire Hathaway, Inc., with <i>Textile Workers, AFL-CIO; Loomfixers, Knot rs & Slasher Tenders</i> (all independent textile t unions), in Rhode Island and Fall River, ss., 5,800 hourly Effective 4-16-59. Contract expired New contract: 3 years</p>	<p>7% (10¢ per hour average) general increase, annual wage reopenings in 1960 & 1961</p>	<p>No change</p>
<p>S. Rubber Company with <i>Textile Workers</i> in Winnesboro, S. C., 1,000 rly Wage reopening in 2-year contract Contract expires 9-22-60</p>	<p>8¢ per hour general increase</p>	<p>No change</p>
OTHER NONDURABLES		
<p>merican Cyanamid Co., with <i>Chemical Workers</i> in Wallingford, Conn., 810 rly Effective 4-12-59. Wage reopener Contract expires 4-24-60</p>	<p>8¢ per hour general increase, add'l 1/2¢ per hour for job evaluation and inequity adjustments</p>	<p>No change</p>
<p>l with <i>Chemical Workers</i> at (Lederle Laboratories Div.) Pearl River, N. Y., 2,000 hourly Effective 4-20-59. Wage reopener Contract expires 5-10-61</p>	<p>7¢ to 13¢ per hour increase, reopening on wages and certain benefits 5-60</p>	<p>No change</p>
<p>w Chemical Co., with st. 50, <i>UMWA</i> in Midland, Mich., 6,281 hourly Effective 3-59. Contract expired New contract: 3 years</p>	<p>6¢ per hour general increase, 19¢ existing cost- of-living increase incorporated into base rates over contract term, additional adjustments ranging from 1/2¢ to 6¢ per hour in all classifi- cations</p>	<p>Revised: Holiday pay, health, accident and re- tirement benefits</p>
<p>emberly Clark Corporation with st. 50, <i>UMWA</i> at Niagara Falls, N. Y., 1,500 rly Effective 6-9-59: Contract expired New contract: 1 year</p>	<p>8¢ per hour general increase, classification ad- justments</p>	<p>Revised: Overtime pay, jury duty pay, and holiday pay</p>
<p>in A. Manning Paper Company, Inc., with <i>permakers and Paperworkers</i> in Troy, New rk, 351 hourly Effective 6-1-59. Contract revised New contract: 1 year</p>	<p>2¢ per hour general increase; total package 7¢ an hour</p>	<p>Revised: Company contribution to pension plan</p>
<p>ustrial Council of Cloak, Suit & Skirt Mfgs. ., and Merchants Ladies' Garment Assn., Inc., th <i>GWU</i> in New York, N. Y., 40,000 hourly Effective 6-1-59. Contract expired New contract: 3 years</p>	<p>No general increase</p>	<p>Revised: Severance pay, holiday pay, overtime pay</p>
<p>berling Rubber Co., with <i>ber Workers</i> in Barborton & Carey, Ohio, 00 hourly Effective 5-1-59. Contract expired New contract: 2 years Pension and insurance: 5 years</p>	<p>Wages not subject to negotiation</p>	<p>Added: Pensions, insurance & SUB</p>
DURABLE MANUFACTURING		
<p>llins Radio Co., with <i>E</i> in Dallas, Texas, 430 hourly Effective 5-1-59. Contract expired New contract: 1 year</p>	<p>8¢ to 11¢ per hour general increase (4.45% aver- age)</p>	<p>No change</p>
<p>stern Electrical Wholesalers Assn., with <i>EW</i> at New York, N. Y., 2,500 hourly and aried Effective 1-15-59. Contract expired New contract: 2 years</p>	<p>\$5 per week general increase. Minimum hiring wage \$1.35 per hour. Reduction of workweek from 40 hours to 39 without loss in pay Deferred increase: \$4 per week general increase in second year</p>	<p>Added: Social Security tax fully paid by em- ployer</p>

Significant Pay Settlements—Continued

Company, Union ¹ and Duration of Contract	Pay Adjustments	Fringe Adjustments
Greenlee Brothers & Co., with <i>IAM</i> in Rockford, Conn., 1,000 hourly Effective 12-1-58 (signed 3-2-59). Contract expired New contract: 2 years	5¢ per hour general increase Deferred increase: 5¢ general increase effective 10-59 and 5-60	Minor changes
Lear, Inc., with <i>UAW</i> in Grand Rapids, Mich., 1,800 hourly Effective 2-1-59. Contract expired New contract: 3 years	6¢ per hour general increase, add'l 8¢ per hour for skilled classifications; 15¢ of existing cost- of-living allowance incorporated into base rates; cost-of-living plan frozen 3-1-59 to 3-1-60 Deferred increase: 6¢ per hour add'l effective 2-60 and 2-61	Revised: Pension plan in 1961
Titan Metal Mfg. Co., with <i>UAW</i> in Bellefonte, Pa., 1,000 hourly Effective 1-5-59. Contract expired New contract: 2-1-60	2½% general increase, 5¢ per hour minimum for nonincentive employees; 5¢ per hour rotating shift differentials and 9¢ 2nd & 3rd shift dif- ferentials	Revised: Vacation pay, sickness and accident benefits
NONMANUFACTURING		
American Stock Exchange with <i>Office Employees</i> in New York City, 600 salaried Effective 5-1-59. Contract expired New contract: 2 years	From \$3 to \$10 per week increase	Revised: Life insurance, holidays and vacation
Illinois Bell Telephone Company with <i>IBEW</i> in Illinois and part of Indiana, 12,000 weekly rated employees Effective 5-3-59. Contract expired New contract: 17 months	\$1.50 to \$6 per week general increase in two steps: <i>Step 1 effective 5-3-59</i> (a) Starting rates increased \$4 (b) Top rates increased \$5 (c) Bracket increases to those on progression up to \$73.50 — \$1.50 wk. \$74.00—\$89.50 — \$2.50 wk. 90.00—105.50 — 3.50 106.00 up — 4.50 (d) Night and evening differential increased to \$12 per week for rates \$120 per week and up <i>Step 2 effective 2-7-60</i> (a) Starting rate increased by an additional \$2 (b) Top rate increased by an additional \$1 (c) Hammond, East Chicago, Gary, and Whit- ing, Indiana upgraded to highest town classification	Added: Fourth week vacation to employees with 30 or more years' service Revised: Pension plan
St. Louis Public Service Co., with <i>Motor Coach Employees</i> in St. Louis, Mo., 2,200 hourly Effective 3-1-59. Contract expired New contract: 2 years	5¢ per hour general increase; 5¢ of existing cost- of-living allowance incorporated into base rates with escalator clause continued Deferred increase: 5¢ per hour 9-1-59, add'l 6¢ 3-1-60	Revised: Vacation pay effective 1960 and 1961
Southern Bell Telephone Co., with <i>Communications Workers</i> in Alabama, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina & Tennessee, 53,000 salaried Effective: 5-22-59. Reopening Contract expires 8-22-59	\$1 to \$3 per week increase for operators & clerks, \$2 to \$5 for plant craftsmen (\$4.06 aver.), over-all avg. of 7.4¢ per hour & \$2.86 per week for installers and salesmen; \$9 towns & several classifications upgraded; all areas with split tours ending at 10 PM are reduced from 8 to 7½ hours	Revised: Vacation practice
Southern California Gas Co., with <i>Utility Workers</i> in California, 3,850 hourly Effective: 4-1-59. Contract expired New contract: 2 years	5½% general increase Deferred increase: 4% effective 2nd year	Revised: Medical insurance, severance pay

¹ All unions are affiliated with the AFL-CIO unless otherwise indicated.

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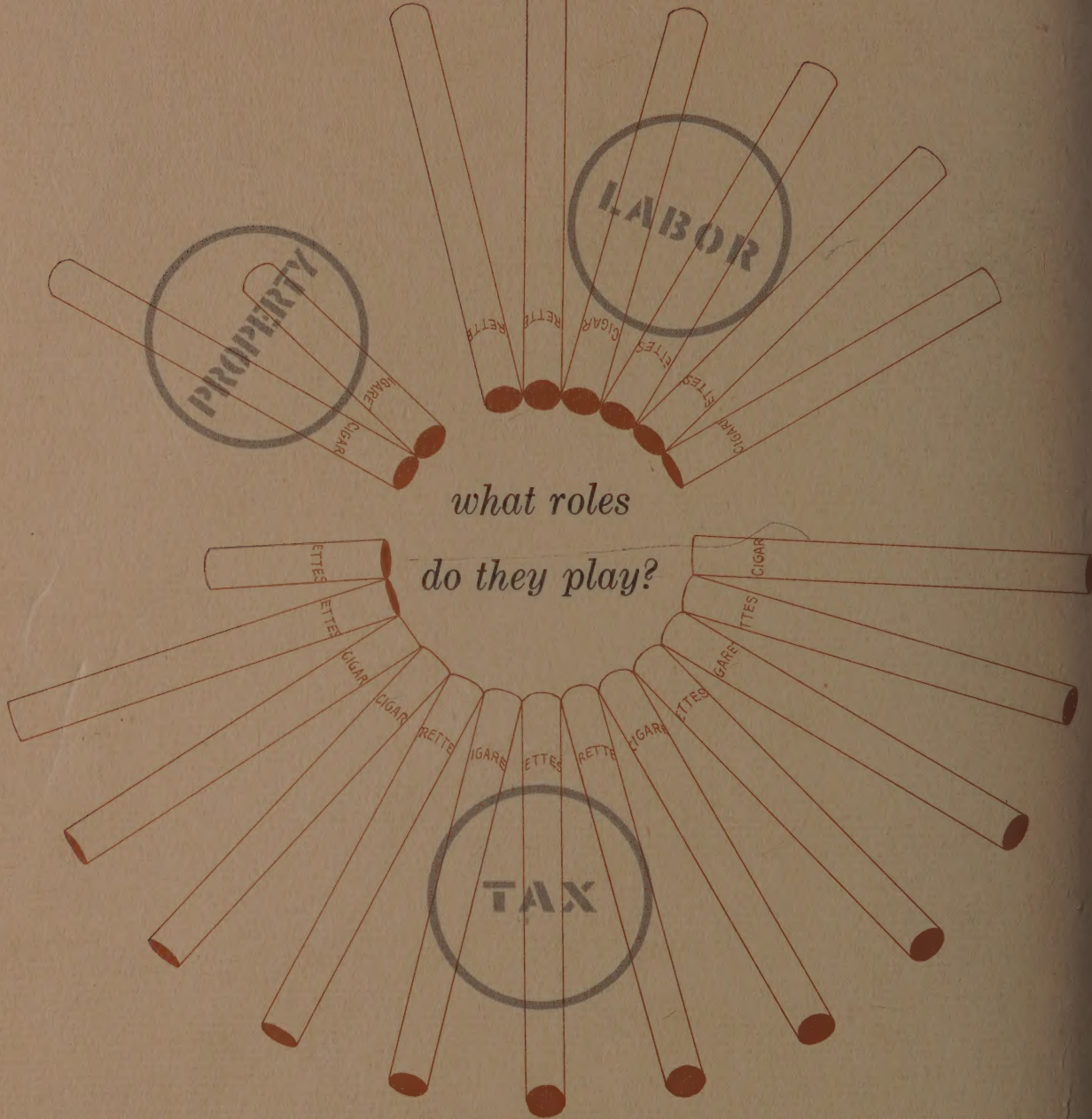
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four-door six-cylinder automobile
pound of beef
New York-to-Boston bus ride
package of cigarettes

gallon of gasoline
man's business shirt
man's work shoes
ton of carbon steel plate

"The Relative Importance of Labor Claims, Property Claims and Tax Claims" is based exclu-

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**THE RELATIVE IMPORTANCE OF LABOR CLAIMS,
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